

Comprehensive Annual Financial Report

South Davis Sewer District

West Bountiful, Utah

For The Year Ended December 31, 2006

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Published: April 12, 2007

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TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Letter of Transmittal	1
Organization Chart	15
Board of Trustees	16
Board of Trustees, 2007 Meeting Schedule	17
District Employees.....	18
Awards and Achievement Recognition.....	19
Certificate of Achievement for Excellence in Finance Reporting	20
District Cities Map	21
Pictures	22-28
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	29
Management's Discussion and Analysis	30-38
Basic Financial Statements:	
Statement of Net Assets.....	39
Statements of Revenues, Expenses and Changes in Net Assets	40
Statement of Cash Flows	41
Notes to Financial Statements.....	43-54
Required Supplementary Information:	
Modified Approach for Eligible Infrastructure Assets	55-57
Other Supplementary Information:	
Statement of Revenues and Expenditures, Budget and Actual	58-59
Schedule of Impact Fees.....	60

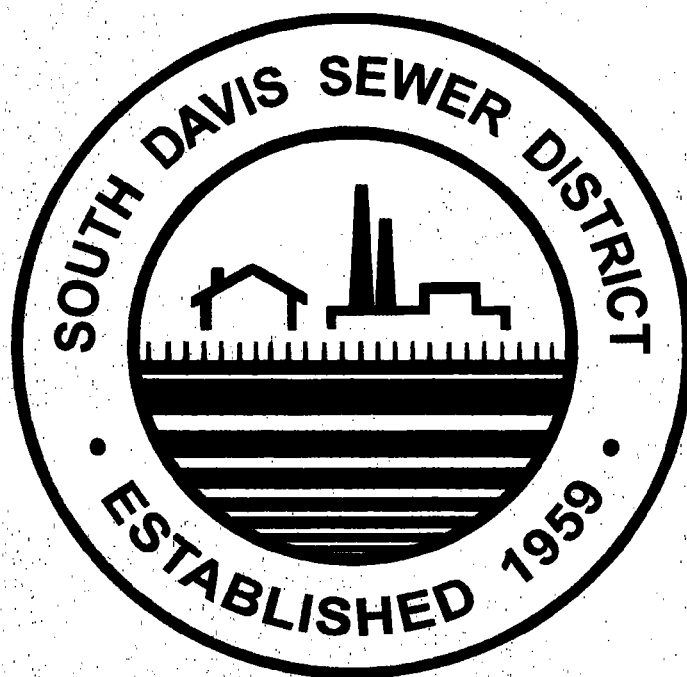
STATISTICAL SECTION**PAGE**

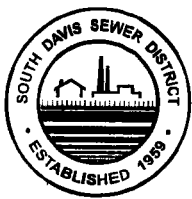
Statement of Net Assets (1997 to 2006)	61
Statement of Changes in Net Assets (1997 to 2006)	62
Statement of Net Revenue and Aggregate Debt Service (1997 to 2006)...	63
Operating Revenues (1997 to 2006)	64
Non Operating Revenues (1997 to 2006)	65
Revenue by Source Bar Graph's (1997 to 2006)	66-67
Schedule of Taxable Valuation and Taxes Assessed and Collected	68
Industrial User Property Tax Assessments	69
Sewer and Impact Fee Rates (1997 to 2006)	70
Major Wastewater Contributors.....	71
Principle Rate Payers.....	72
Sewer User Charge Survey	73-76
Revenue Bond Coverage (1997 to 2006)	77
Debt to Asset Ratios (1997 to 2006).....	78
Debt Service to Total Expenditures (1997 to 2006)	79
Davis County Demographic Statistics	80-81
Public Water Systems Serving Davis County.....	82
Davis County Tax Factors.....	83
Property Tax Rates, Direct and Overlapping Governments	84
Public Treasurer Investment Fund (PTIF) Historical Interest Rates	85
Permit-Authorized Construction in Utah (1997 to 2006).....	86
Legacy Parkway Site Plan	87
Employees by Department (1997 to 2006)	88
Operator Certifications	89
Equivalent Dwelling Units (EDU's)	90
Capital Asset Balances (1997 to 2006).....	91
Capital Asset Summary and Additions	92-93
Expenditures by Functions (1997 to 2006)	94-95
Collection System Map	96
Service Area Map	97
Summary of Insurance Coverage.....	98
North Treatment Plant Process Flowchart	99
South Treatment Plant Process Flowchart.....	100
National Association of Clean Water Agencies Survey	101-106

COMPLIANCE SECTION

Report on Compliance & Internal Controls Over Financial Reporting ..	107
Auditors Report on State Legal Compliance	108

INTRODUCTORY SECTION





South Davis Sewer District

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April 12, 2007

To the Chair, members of the Board of Trustees, and the Citizens of the South Davis Sewer District:

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified accountants. The Comprehensive Annual Financial Report (CAFR) of the South Davis Sewer District (District) for the year ended December 31, 2006, is hereby submitted in compliance with these requirements.

District management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the data presented is accurate in all material respects, that the report is presented in a manner designed to fairly set forth the results of operations of the District, that the report fairly presents the financial position of the District, and that all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial activities have been included.

The South Davis Sewer District's financial statements have been audited by Karren, Hendrix, Stagg, Allen, and Company, P.L.L.C., a firm of licensed, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended, December 31, 2006, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the South Davis Sewer District's financial statements for the fiscal year ended December 31, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

The CAFR is presented in four main sections:

1. **Introductory Section**, which is unaudited, includes this transmittal letter and provides general information about the District and history of operation, as well as the organizational structure, a list of the District's elected and appointed officials, and the operations of the District.
2. **Financial Section** includes the certified public accountant's report, Management's Discussion and Analysis, the basic financial statements, notes thereto, other required supplementary information, as well as a schedule of revenues and other sources and expenditures and other uses budget (non-GAAP basis) and actual.

3. **Statistical Section** contains additional unaudited financial and general information presented on a multi-year basis.
4. **Compliance and Internal Control Section** includes the independent auditor's reports on internal control and State legal compliance.

Background

In the late 1950's, Bountiful City was the only area of South Davis County, consisting of Bountiful, Centerville, North Salt Lake, West Bountiful, Woods Cross, and the unincorporated areas south of Lund Lane, that was served by a sewer system. The treatment facility serving that system was at capacity and not capable of meeting proposed future discharge requirements. Local government leaders could see this anticipated growth in the area could not be supported by on-site septic tank systems. The District was formed in 1959 to meet these area-wide needs for wastewater collection and treatment.

Construction of the District's North Plant at 1800 West 1200 North in West Bountiful, began in December 1960, and was completed in August 1962. Construction of the South Plant located at 2500 West Center Street in North Salt Lake, began June 1961, and was completed October 1962. During this time, collection systems were built in Centerville, North Salt Lake, West Bountiful, and Woods Cross. Trunk lines connecting all five collection systems in the District to the two treatment plants were also constructed. The District has owned and operated the collection system for all areas except for Bountiful City, which retained ownership of the existing lines in their city. On January 1, 2004, the ownership of the Bountiful system was transferred to the District. The District's collection system now consists of 332 miles of sewer.

In the mid-1980's, the treatment plants had exceeded their nominal design life of 20 years and were treating wastewater flows near their capacity. Planning and engineering studies were undertaken to determine whether the original treatment plants needed to be rehabilitated and expanded, or if all new treatment facilities should be constructed. Because most of the original structures and much of the original equipment were still in excellent condition, the decision was made to rehabilitate and expand the existing plants.

The North Plant expansion and rehabilitation project was begun in September 1988. The project was completed in June 1991. The South Plant expansion and rehabilitation project was begun October 1992, and completed in February 1994. These projects increased capacity at the North Plant from 5.3 to 12.0 million gallons per day and at the South Plant from 2.8 to 4.0 million gallons per day. These projects included extensive rehabilitation and modernization of electrical, mechanical, structural, and hydraulic facilities. The total cost of these two projects was \$13,178,000.

The District currently serves a total population of approximately 85,000. The combined treatment plants are designed to serve a population of 100,000 with a reasonable allowance for commercial and industrial users.

The District has a full time staff of 22. It is empowered to levy a property tax on both real and personal property. The District has the power of eminent domain and may extend its boundaries by annexation. The District has annexed all property within its natural limits of growth.

The Wasatch Front Regional Council projects that the population of the District will be 98,357 in 2030. Existing plant capacity will serve the District through at least the year 2030 based on this population projection. Their report further indicates that Davis County will be nearing build out at that time. According to the Wasatch Front Report, "Davis County has the smallest land area of any county in the State and will be the first in the State to have to deal with countywide build out." This inherent limitation on growth should allow the existing plant capacity to serve the build out population of the District.

The continued serviceability of the plants depends on adequate maintenance of existing facilities and some capital improvements within the existing plants. This ability of the existing plants to serve the

existing and future population of the District assumes that there are no significant new regulatory limits incorporated into the District's discharge permits.

The District's South Plant discharges to the Jordan River and the North Plant discharges to the State Canal, both of which ultimately reach the Great Salt Lake. In 2004, the Utah Division of Water Quality (DWQ) initiated formal Total Daily Maximum Load (TMDL) studies on both the Jordan River and The Great Salt Lake. The results of these studies could lead to new or more stringent discharge limits and significantly affect future capital and operation and maintenance needs.

Governance

Davis County organized the District as an independent special district in response to petitions by the member cities of the District under Title 17, Part 6 of the Utah Code. This is now Title 17A, Part 3. A seven-member Board of Trustees governs the District. Each City within the District appoints one Board Member for a four-year term. The two remaining Board Members are elected from the District at large. During the 2000 legislative session elections were changed from the general election in even numbered years to the municipal elections in odd numbered years. Terms are for four years. Board terms are staggered to provide continuity. The Board elects a chair and vice-chair from its members to serve two-year terms. A General Manager who serves at the pleasure of the Board directs day-to-day operations.

The Board has always had two standing committees, personnel and engineering. These committees review the annual budgets for their respective areas. In view of the recent corporate scandals where auditing has been a significant issue, the Board added an audit committee. This committee consists of three Board members. The audit committee was in place for the selection and direction of the audit for 2003. The Utah State Auditor's Office now recommends that special district boards have an audit committee.

The District is required to adopt a budget by no later than December of each year. The Board can adjust the budget up to December of that budget year providing it is done with the appropriate notices and hearings. This annual budget serves as the basis for the District's financial planning and control.

Financial Guidelines

The Board of Trustees has adopted the following guidelines to ensure the financial strength of the District:

- Revenues should be sufficient to support current expenditures, including debt service and other obligations of the system.
- Debt should be used only for capital expansion and improvement of plant and not for current expenses.
- Contingency reserves should be maintained at levels sufficient to provide for unanticipated, non-recurring costs such as major failures.
- Capital projects funded through the issuance of bonds should be financed for a period not to exceed the expected useful life of the project.
- Net revenues (gross revenue less O&M expenses) available for debt service should be generated at a level of 1.2 to 1.5 times the average annual debt service requirement.
- Net revenues that exceed operating expenses and debt service should be used for capital expenditures, restoration of contingency reserves of the wastewater system, and other wastewater purposes.
- Capital financing should be provided through debt financing, current revenues and contributions from developers, customers, and other governmental entities.
- Cost of service studies should be performed periodically and the relation of revenues to cost reviewed annually.

Long Term Financial Planning

The District has a written Facilities Maintenance and Finance Plan which assesses at five year intervals the existing condition of all District facilities. It also assesses the current and projected wastewater flows and strengths and reviews this information against the capacity of the collection system and treatment plants. It also evaluates known and anticipated discharge permit requirements. We then project future maintenance and capital improvement needs. We then assess the ability of existing and projected District reserves and revenues to support the anticipated financial needs. If necessary the District would then adjust impact fees, user fees, and tax assessments.

The District has not raised user fees since 1988 when they were raised to \$5 per month per residence and residential equivalent. Since 1988 the District's tax rate has decreased 62% from 0.000940 to 0.000341. A \$200,000 home currently pays an annual tax of \$68.20. This is a total sewer user fee of \$10.68 per month.

District revenues are currently adequate for debt service, operations, maintenance, and to provide reserves for anticipated capital projects. Rate or tax increases are not anticipated anytime in the near future. The follow table shows the current allocation of District reserves:

Capital Reserves Allocation	Amount
Operating Capital	\$1,500,000
Insurance Reserve Fund	\$150,000
Subtotal	\$1,200,000
Reserve for revenue bond debt service	\$363,500
Reserve for renewal and replacement	\$430,000
Master planned replacement of original plant equipment	\$1,200,000
Near term capital improvements budget	\$2,000,000
Long term capital improvements budget	\$2,814,114
Reuse (additional treatment, pumping, & distribution)	\$2,500,000
Sludge disposal (compost, land application)	\$2,000,000
Trunk lines	\$1,000,000
Subtotal	\$12,307,614
Collection system renewal & replacement	\$2,200,000
Collection system equipment (jet washer, CCTV repl.)	\$350,000
Subtotal	\$2,550,000
TOTAL	\$16,057,614

The District will retire its last bonds in 2008. Bonding will not be required for future capital improvement needs with two possible exceptions. Since reuse will benefit a limited number of District customers it will have to carry all of its capital, operation, and maintenance costs. It may be desirable to bond for reuse capital costs to clearly isolate them from the District's normal budget. If significant new discharge requirements such as nitrogen, phosphorus or metals removal should be added to the District's discharge permit, significant additional capital, operation, and maintenance costs would be added to existing budget requirements. This would likely require both bonding and rate increases.

Local Economy

The University of Utah Bureau of Economic and Business Research (BEBR) reports that permit-authorized construction for 2006 in Utah was in excess of \$7.4 billion, the highest level ever recorded. This exceeded the previous record of \$6.6 billion set in 2005 by 12.1%.

The number of new homes receiving permits during 2006 was 26,322 a decrease of 6.9% from 2005. Permit authorized home construction exceeded \$4.95 billion. This broke the record of \$4.7 billion set in 2005. Of these permits 19,888 were for single family housing which was slightly below 2005's record of 20,919. The previous record of 17,424 was set in 1977 when the number of baby boomers buying their first homes peaked.

In the District the number of dwelling units was down 20.9% from 777 in 2005 to 615 in 2006. Total impact fees were also decreased from \$1,639,086 to \$1,079,167 or down 34%. There is clearly some cooling in the housing market at both the State and local level which also reflects National trends.

The weakest sector is multi-family housing which has never been strong in South Davis. Local home building and commercial projects in South Davis still look strong for 2007. A new Lowe's is being built at the West Bountiful Commons. The larger developments such as Foxboro, Eaglepointe, and Mountain View are still developing rapidly. A large new commercial/residential project is being proposed for the gravel pit area along Hwy 89 in North Salt Lake City.

The value of nonresidential construction for the State reached \$1.59 billion, exceeding 2005's record level of \$1.2 billion. It appears that nonresidential construction will continue to be strong, as long as Utah's economy remains strong.

Office space vacancies continue to be low. Permits for office space exceeded \$299 million almost 50% more than 2005. Major projects for 2007 include the Legacy Parkway, commuter rail, and the revitalization of the downtown malls which will exceed \$1 billion over the next several years. In South Davis County we have numerous projects in the West Bountiful Commons shopping center and an office building in Centerville valued at over \$1 million. Kohl's department store is being built in Centerville along with the completion of a new Wal-Mart Supercenter.

The following tables show that overall construction values for South Davis County are below the statewide trends. Residential construction declined 9%. Nonresidential showed a decrease of 16%. Nonresidential construction does not significantly impact District revenue or operations unless it is a major new industry coming into the District.

It should be remembered that these numbers are coming after record high years and that the growth in the District is still very substantial. District budgeting does not depend on growth for stability. The biggest challenge for the District is to deal with the work load of applications, reviews, and inspections for new projects. The District has collection system and treatment plant capacity for build out.

City	New Dwelling Units		New Residential Value		New Nonresidential Value	
	Number	% change	Value, \$1000	% change	Value, \$1000	% change
Bountiful	77	-35	40,039	-18	2,611	-88
Centerville	84	-2	20,475	17	16,713	224
North Salt Lake	363	-15	87,681	0	29,761	72
West Bountiful	20	-74	5,092	-67	5,683	120
Woods Cross	71	1	12,045	10	3,866	28
Totals	615	-21	165,332	-9	58,634	-16

City	Additions & Repairs					
	Residential		Nonresidential		Total Construction Value	
	Value, \$1000	% change	Value, \$1000	% change	Value, \$1000	% change
Bountiful	3,151	69	2,330	-1	48,131	-36
Centerville	801	-56	2,941	97	40,931	57
North Salt Lake	1,376	154	4,290	557	123,108	15
West Bountiful	487	97	0	-100	11,261	-38
Woods Cross	243	-25	268	-66	16,422	8
Totals	6,058	27	9,829	86	239,853	-1

Economic strength is seen in three areas in the District. There is continued growth in residential housing with accompanying impact fee revenue and sewer service fee revenue for the District. There is continued growth in commercial properties. Finally, although the growth rate is the approximately the same as it was two years ago, there is still moderate growth in industrial properties with the development of new industrial subdivision lots and the construction of new facilities in existing industrial parks. The South Davis County area also serves as a bedroom community for the greater Wasatch Front area. The economy in the Wasatch Front is currently very strong with a diversified mix of economic activities.

The State of Utah is enjoying its lowest unemployment rate in history. Utah's 2.5% unemployment rate is the lowest in the country and an improvement over the 4.2% rate from the same time a year

ago. In Davis County there was an increase of 4,600 jobs during 2006 reducing the jobless rate to 2.3% down from 4% a year ago.

The most significant threat to the economic conditions in Davis County is the future of Hill Field Air Force Base (HAFB). According to BEBR, "Closing Hill AFB would have economic repercussions on the Davis/Weber region unparalleled since the Great Depression." Davis County would suffer the greatest losses in such an event. A BEBR analysis indicates in the long-term Davis County would loose approximately 28,000 jobs, \$1.89 billion in earnings, and \$1.38 billion in personal income. The County's economy would be permanently reduced by 12%. The population of the county would decrease by 21,000. HAFB survived the most recent round of base closures announced on May 13, 2005. The location of HAFB and the proximity of unique resources such as the west desert bombing ranges and the efficiency of HAFB operations help to maintain its competitive edge as an important DOD facility.

Major Activities

Geographic Information System (GIS)

The District's aerial mapping system for its collection system was 20 years old. In that time enormous growth has taken place in the District, making these maps very dated. It became increasingly expensive to maintain the old system. In 2005, we completed implementation of a Geographic Information System. This computer based system links information about our sewer lines and manholes to a Global Positioning Satellite (GPS) based map of all District sewer lines. The GIS also shows an aerial photo, roads, and lot lines.

In 2006 we linked the collections system operations data base and work order system to the GIS. The GIS system is used in the office and by the collection system crews to track their various tasks.

Accounting

The Governmental Accounting Standards Board (GASB) has promulgated a number of new rules governing the District's annual audit. The most significant of these are: #40 - Deposit and Investment Risk Disclosures, and #44 - Economic Condition Reporting. We implemented Statement #40 in the 2005 audit. Statement #44 has been incorporated as provided by GASB in the 2006 audit. Most of the required reporting for Statement #44 was already incorporated in the statistical section of the CAFR. Statement #44 standardizes the requirements and the presentation of this material.

Pension Benefits

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Non-contributory Retirement System cost-sharing defined benefit pension plans administered by the Utah Retirement System (URS). URS provides retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the Utah State Legislature.

The District contributes a percent of qualified employee's salary to the respective systems to which they belong. Currently all contributions are funded by the District. Additional information is contained in the Notes to the Financial Statements.

There are no post employment benefits.

Total Maximum Daily Load Studies

The Utah Division of Water Quality has initiated Total Daily Maximum Load (TMDL) studies for the Jordan River and the Great Salt Lake. These studies are mandated by EPA regulations when a body of water does not attain certain water quality standards. These studies are watershed wide and look at a wide range of water quality issues and how the various sources of pollution relate to the water body in question.

The studies are intended to identify any water quality issues that affect the water body attaining it highest and best use. Any pollutant sources that contribute to limiting the water body's water quality are then identified and a plan developed to eliminate the pollution if possible. These studies often lead to more stringent discharge limitations on point sources such as Publicly Owned Treatment Works (POTWs).

It is important for the District to be a proactive participant in the TMDL process. Participation gives the POTW an opportunity to understand the technical basis for the work being done and comment where appropriate. It also is important to be informed of developing issues as early as possible to facilitate planning for capital needs if new discharge standards require the expansion or upgrade of treatment capabilities.

Biosolids

Environmental Management System

The beneficial reuse of the biosolids generated during the treatment of municipal wastewater is an important economic and environmental issue for the regulatory and the Publicly Owned Treatment Works (POTW) community. To promote the production of the highest possible quality biosolids and to ensure that the process is thoroughly documented the US Environmental Protection Agency, the Water Environment Federation (WEF) and the Association of Metropolitan Sewerage Agencies (AMSA) joined together to create the National Biosolids Partnership (NBP). This organization has developed a detailed program for implementing an Environmental Management System (EMS) for biosolids. An EMS is a comprehensive plan to identify and address all environmental issues involved in a process, treatment facility, industry or other entity. An important feature of an EMS is an auditing process involving an independent third party in a fashion similar to a financial audit. The purpose of the auditor is to test and investigate the adequacy of a facilities EMS and whether in actual practice it complies with the requirements of its EMS.

The National Biosolids Partnership initially involved approximately a dozen POTWs across the US in developing and implementing a biosolids EMS. After the experience of these agencies had been incorporated in the Partnership's program, they selected a second group of POTWs to participate in the program. The District was selected for participation with this group. The Partnership provides materials, consulting assistance, workshops, and phone conferences to support participants in developing their EMS.

The project started with an on-site, two-day workshop facilitated by a consultant provided by the Partnership. The General Manager attended a three-day workshop in Alexandria, Virginia, where POTWs that have completed the program shared their experiences. One of the first requirements of the program is to develop and adopt a biosolids policy that complies with the Partnership's "Code of Good Practice".

BIOSOLIDS EMS POLICY

The South Davis Sewer District is committed to following the principles of conduct set forth in the National Biosolids Code of Good Practice. It is the policy of the District to promote and practice the beneficial use of biosolids and the reuse/recycling of resources. The District will strive to maintain, improve, and protect the environment during the production and treatment of biosolids. The District will make every effort to ensure that the public is not endangered or inconvenienced by the production and treatment of biosolids. The District will obey all applicable federal, state, county and local laws, rules and regulations.

National Biosolids Code of Good Practice Principles of Conduct

1. **Compliance:** To commit to compliance with all applicable federal, state and local requirements regarding the production at the wastewater treatment facility, and management, transportation, storage, and use or disposal of biosolids away from the facility.

2. **Product:** To provide biosolids that meet the applicable standards for their intended use or disposal.
3. **Environmental Management System:** To develop an environmental management system for biosolids that includes a method of independent third-party verification to ensure effective ongoing biosolids operations.
4. **Quality Monitoring:** To enhance the monitoring of biosolids production and management practices.
5. **Quality Practices:** To require good housekeeping practices for biosolids production, processing, transport and storage and during final use or disposal operations.
6. **Contingency and Emergency Response Plans:** To develop response plans for unanticipated events such as inclement weather, spills, and equipment malfunctions.
7. **Sustainable Management Practices and Operations:** To enhance the environment by committing to sustainable, environmentally acceptable biosolids management practices and operations through an environmental management system.
8. **Preventive Maintenance:** To prepare and implement a plan for preventive maintenance for equipment used to manage biosolids and wastewater solids.
9. **Continual Improvement:** To seek continual improvement in all aspects of biosolids management.
10. **Communications:** To provide methods of effective communication with gatekeepers, stakeholders, and interested citizens regarding the key elements of each environmental management system, including information relative to system performance. Copies of this policy will be posted at the wastewater treatment plant. A copy of this policy will be sent to the city's engineers and any contractors or sub-contractors that will be supplying goods and services that will impact the biosolids program. Copies of this policy will be made available to all interested parties upon request. A copy of this policy will be incorporated into the District's biosolids EMS.

The initial draft is approximately 60% complete. As we reviewed in detail the existing options for long-term biosolids utilization in the area, it became clear that growth and development will increasingly limit our biosolids options. We have delayed further work on our EMS while we resolve our ultimate disposal options.

Biosolids Disposal Group

Long-term biosolids disposal options continue to be a concern for all POTWs in the area. UDOT has purchased several thousand acres in the District for the Legacy Parkway and its associated Legacy Nature Preserve. Adjacent land has increased enormously in value and development pressure because of Legacy. These developments will virtually eliminate the area available to the District for the agricultural land application of biosolids.

Six of the POTWs along the Wasatch Front have created a steering committee with our General Manager as co-chair to explore the possibility of establishing a regional authority to handle biosolids disposal for all or a number of these plants. The group funded a preliminary feasibility study of the issue.

A consulting engineering firm, CH₂M-Hill, was commissioned to perform this study. The study was to investigate the biosolids disposition options available to the group, the feasibility of a regional authority, and to identify potential sites for the authority to operate a joint biosolids facility. This study was successfully completed. The most viable long-term options were identified as mono-filling, a type of landfill, and agricultural land application. A number of potential sites suitable for these alternatives were identified and preliminary cost estimates prepared for the development, operation, and maintenance of the project. The committee members feel that implementing the recommendations of the study is essential to secure a viable, long term, economical solution to biosolids disposition.

The group entered into an interlocal agreement to facilitate further development of the project. The group has been investigating specific parcels of land that might be suitable for the project. We have been contacting various stakeholders to learn their position and gain their support. In 2006 preliminary negotiations were completed on a suitable parcel. If possible we would intend to purchase the property in 2007 if due diligence investigations prove it is suitable.

Treatment Plants - Compliance

North Plant

The North Plant did not have any permit exceedences for conventional pollutants during 2006. The North Plant had failures of the chronic biomonitoring tests for the 1st and 4th quarters. Follow up testing, however, did not establish a pattern of toxicity and routine sampling was resumed.

The Utah Division of Water Quality performs on-site detailed audits of plant maintenance, the industrial pretreatment program, and biosolids disposal each year. All audits were routine with only minor comments.

South Plant

The South Plant did not have any permit exceedences for conventional pollutants during 2006. The South Plant did not have any biomonitoring failures.

The Utah Division of Water Quality performs on-site detailed audits of plant maintenance, the industrial pretreatment program, and biosolids disposal each year. All audits were routine with only minor comments.

Treatment Plants - Operations

North Plant

North Plant maintenance and rehabilitation needs were very modest and routine in 2006. District forces rehabilitated the #1 Final Clarifier rake mechanism. The work was required to address normal wear and tear issues.

In anticipation of eventual reuse the District installed a 48" diameter sleeve under the Legacy Parkway. This will allow us to install a future pressure line to deliver reclaimed wastewater.

The construction of the Legacy Parkway isolates the North Plant and our immediate neighbors from the rest of the community to the east. The North Plant site is surrounded on three sides by the Legacy Nature Preserve and Utah Wildlife Resources property. Our only opportunity for expansion is to the east. The District has and will have various needs for additional plant site.

The District's Board has adopted a policy to aggressively pursue the acquisition of all private property located adjacent to the Plant. There are approximately 17 acres of private property contained within the levee that surrounds the area. The District has been added to a Legacy Parkway condemnation suit that encompasses approximately 12 acres of this property. We have closed on the purchase of three one-half acre sites at present. We have nearly completed negotiations with the Utah Department of Transportation (UDOT) for two lots of approximately 2 acres each.

The 2007 budget includes funds to extend the maintenance shop to the north. The District has a very aggressive maintenance program and accomplishes most of this work in-house. This maintenance is a key aspect of the District's cost management. The additional space will be used for maintenance activities and housing of District equipment.

The recent and continuing construction of subdivisions near the North Plant is cause for concern due to our disinfection process. We utilize one-ton cylinders of liquid chlorine and sulfur dioxide for disinfection and dechlorination. The proximity of this new housing is a safety concern. The District must meet the regulations in EPA's Risk Management Rule. In 2007 we will be performing a complete reevaluation of our disinfection process. It may be more cost effective to change disinfection methods than to install scrubbers to capture chlorine or sulfur dioxide from an accidental release.

South Plant

South Plant personnel constructed a shelter for several of our standby generators and pumps as well as some miscellaneous other equipment. This was accomplished using salvaged materials. The location allows convenient routine exercising of these pumps and generators.

A facility that we call our tower pump station was rehabilitated during 2006. The electrical control panels located within the pump station were subject to considerable corrosion. We built an isolated electrical control room against an outside wall of the pump station and installed new control panels. At the same time an additional pump was added to better handle peak flows to the pump station.

WesTech Engineering, Inc. is a local engineering/manufacturing firm that produces process equipment for the wastewater treatment industry. They asked for permission to set up and operate a pilot plant to study nutrient removal utilizing a novel sand media process. They operated the pilot plant for several months in 2006. This technology is of interest to the District if the TMDLs mentioned above should trigger nutrient remove issues for our facilities. WesTech is expected to cover any costs such as power incurred by the District due to the operation of the pilot plant.

During 2006 the District made significant improvements to its granular media filters (GMF). We are at the point where we need to refill the filters with sand media. Traditional media sources are all out of state and very expensive. We became familiar with a local firm called ES Filter. The firm produces a ceramic-like granular media for on-site wastewater treatment systems. Upon examination of this media we felt that it had significant potential for use in our GMF.

We are currently engaged in a joint pilot plant project with ES Filter. Two pilot filters with 3 test cells each have been set up and are operating. To date the results are extremely promising. The ES Filter media has performed as well or better than the traditional sand media. We are now in the process of installing this media in the GMF for full-scale testing.

The maintenance shop at the South Plant is also being expanded in 2007. We will double the approximately 1,400 square feet of the existing facility. It is often more convenient to work on maintenance projects at the South Plant than transporting them all to the North Plant.

As with the North Plant the recent construction of a charter school directly across the street from the South Plant and continuing construction of subdivisions near the South Plant is cause for concern due to our disinfection process. We utilize the same one-ton cylinders of liquid chlorine and sulfur dioxide for disinfection and dechlorination. The proximity of the school and the new housing is a safety concern. The District must meet the regulations in EPA's Risk Management Rule. In 2007 we will be performing a complete reevaluation of our disinfection process. It may be more cost effective to change disinfection methods than to install scrubbers to capture chlorine or sulfur dioxide from an accidental release.

Collection System

Bountiful City initiated discussions in April 2003 regarding the possibility of the District accepting ownership and responsibility for operation and maintenance of the Bountiful City collection system. After careful review of Bountiful City's collection system records, interviews with their operations personnel, and negotiations the District accepted ownership of the Bountiful City collection system effective January 1, 2004. This added approximately 140 miles of sewer line and 10,000 connections to the District's collection system.

Since assuming ownership of the Bountiful system in 2004 over 95% of all sewer manholes in Bountiful were located, uncovered or otherwise made accessible if necessary, and inspected. All significant problems were corrected immediately. 95 plus percent of all Bountiful sewer lines have been inspected via closed circuit television. Again we were able to correct all significant problems found immediately. The overall condition of the Bountiful system was well within our expectations from investigations made prior to its acquisition. At this point the Bountiful system has been fully incorporated in the District's system and is part of our normal operation.

When the District's two treatment plants were rehabilitated and expanded in the early 90s, most of the new capacity was built at the North Plant. This was due to a number of site and operational constraints. It was anticipated that flows would be diverted from the southern part of the District by gravity and by pumping. For some years now all of the existing gravity diversions have been directed to the North Plant. With the rapid growth in North Salt Lake the flows at the South Plant are beginning to be a challenge and it will soon be time to pump excess flows to the North Plant.

In addition, the rapid construction of subdivisions west of Redwood Road is quickly covering all of the ground needed to locate a pump station and pressure line. In 2006 we worked out the pump station location with the Foxboro development. The pressure line is being located in an existing right-of-way paralleling the Legacy Parkway from 2600 South to 1500 South. This work has been bid out and is under construction.

The Legacy Parkway continues to present challenges to existing and proposed collection system lines. All of our existing lines are being inspected to document their condition prior to Legacy construction. The need for an additional line at 1275 North in Centerville has been identified and we are currently working on a design to provide sewer service to this area prior to Legacy construction.

Future Activities

Wastewater Reuse

It had been proposed that the District supply reclaimed wastewater for irrigation in the new Foxboro development in North Salt Lake. The City was able to procure a water supply from the Weber Basin Water Conservancy District at attractive rates.

We will continue to meet with the other Cities within the District, with the Weber Basin Water Conservancy District, and other interested parties to discuss wastewater reuse opportunities. The Weber Basin Water Conservancy District has been supportive of maximizing this resource and indicated their willingness to work together and with the District and its member cities in this effort. Given the limited water supplies in the area it is only a matter of time until economics will make wastewater reuse feasible.

Collection System

EPA has been working for a number of years on a new regulation for the operation of collection systems, generally referred to as Capacity Management, Operation and Maintenance (CMOM). We have expected these regulations to be promulgated every year for the last several years. There was no action taken to promulgate these regulations in 2006.

These regulations will require that all collection systems have an operating permit. These permits will require a written operations plan. Under this new regulation, permits will be issued to the owners and operators of collection systems much as discharge permits are issued to treatment plants. These permits will detail operations and maintenance requirements, record-keeping requirements, reporting requirements, and provide penalties for sewer overflows and bypasses. This new regulation was sidelined during the transition to the Bush Presidency. It will require significant resources to comply with this new regulation. The District has been following the development of this program carefully. We do not expect any unusual difficulties in complying with the regulation since we already follow the principals and practices mandated by the regulation except for some written documentation and reporting. In the short term, the District will have some expense in developing the written operations plan. We do not expect any significant long-term expense. The District's collection system is in excellent condition. We have provided for improvement to support this program in our 2007 budget.

The District's collection system is in overall excellent condition and even the oldest lines have many decades of remaining life. However, in our approximately 1,800,000 feet of sewer, which contains something on the order of 450,000 individual joints, there are many structural and other defects. As the system ages and with the inevitable damage from work on other utilities, additional repairs will always be needed.

Sewer line repairs, especially in streets where most of our sewer lines are located, have always been expensive. In addition, the construction activity to accomplish repairs can be very disruptive to traffic, create noise and dirt, and make access to homes and businesses difficult. One 800-foot section of 8-inch sewer line in 2004 cost the District over \$100 per foot to replace. For comparison, construction of an 8-inch sewer line in a new subdivision averaged \$31.46 in 2004.

Over the last 10 years, trenchless methods for making sewer line repairs and replacements have been developed and proven. Many of these methods are now mature and are proving to be very cost effective. District staff spent considerable time and effort in 2006 continuing our research into these methods.

In the spring of 2005 we completed our first trenchless project. The District has a 24-inch trunk line running along the Old Sheep Road in Centerville that was taken out of service in 1987 due to excessive infiltration of groundwater during the high lake levels of the time. Forty joints with significant leaks needed to be repaired before the line could be returned to service. This line averages approximately 18 to 20 feet deep and is located in very wet, unstable clay. We estimated that with traditional excavation methods repairs would cost \$400,000. In addition, because of the depth, the poor excavation conditions, and the lack of any good repair technology the quality of repairs would be questionable.

One of the new trenchless technologies addresses these spot repairs. With the PermaLiner system, an inflatable rubber tube is wrapped with a protective plastic cover and then with several layers of fiberglass. The fiberglass is then impregnated with epoxy resin. This assembly is then pulled into place in the sewer using cables. When in position the rubber tube is then inflated firmly pressing the epoxy impregnated fiberglass against the sewer pipe. The epoxy is then allowed to cure to 2 to 4 hours depending on temperature. The rubber tube is then deflated and removed. The fiberglass patch is smoothly bonded to the sewer pipe and the ends are neatly feathered. Many of the joints were leaking large quantities of groundwater during the operation and these leaks did not affect the placement and curing of the patch. The leaks were all sealed completely. The line has now been returned to service. The total cost of the repairs including purchasing the inflatable rubber tube was approximately \$50,000.

The District has procured the equipment to repair 4-inch laterals using the new Cured in Place Pipe (CIPP) technology. In this process a soft, flexible tube of polyester felt is impregnated with epoxy resin. This tube is then inverted into an existing lateral using air pressure. A second, calibration tube is inverted inside the liner and inflated with air pressure. The liner is then allowed to cure for 2 to 3 hours. The calibration tube is withdrawn, any opening made for access for the lining process is repaired, and the job is complete. In 2006 we successfully repaired dozens of laterals with great success. The technology gives us a better repair than any other method and using our own forces it is far less expensive than traditional methods.

Partly because of the great success we have had with this project and partly because of the success that we have had in talking with vendors and customers of the various trenchless technologies, the District has budgeted funds for 2007 to acquire all of the equipment needed to perform CIPP lining of 8-inch through 12-inch main lines. These two line sizes that will have the greatest number of repair requirements over the years. Our analysis shows that we can line 8-inch lines for \$20 per foot. Over time the cost savings to the District will be enormous. In addition, the repair is better that can be accomplished by digging up the old sewer. Finally, this repair technology is far less disruptive of traffic and creates far less mess and potential for public contact with contaminated material.

For 2007 the District has budgeted for a new collection system operations building. This building would be built on some of the new property discussed above. Time and the acquisition of the Bountiful collection system have contributed to our collection system operations outgrowing their facilities. None of our existing buildings are suitable for housing today's large jet/washer units. Also, through the addition of adequate equipment to service the Bountiful system, we have basically doubled the amount of equipment that we need to house and maintain.

Security

Following the tragic events of September 11, 2001, the wastewater industry has directed significant energy to the issue of security. Immediately after September 11, the District took several steps to better secure the several tons of liquid chlorine that are stored at each of our plants. The United States Environmental Protection Agency (EPA), National Association of Clean Water Agencies (NACWA), and the Water Environment Federation (WEF) have all put together guidance materials, funded studies, and sponsored seminars to evaluate security issues at wastewater facilities, develop strategies to improve security, and educated the wastewater community on these issues.

The District subscribes to several Internet sources of real time security information. We are watching the literature and will again be participating in several training sessions this year to ensure that we are addressing this issue adequately. NACWA, supported by EPA, has developed an extensive program model called the Vulnerability Self-Assessment Tool. We are implementing this program at the District.

Risk Management

The District's liability insurance is provided by the Utah Local Governments Trust. The Trust is an interlocal government agreement comprised of over 420 local governments in Utah. The Trust sponsors numerous activities in risk management from seminars to on-site inspections.

The District believes in being very proactive in providing a safe and healthy workplace for its employees and to reduce its liability exposure. For a number of years the District has shared, under the Umbrella of the Utah Local Governments Trust, a full-time health and safety officer with several other wastewater utilities. Several of these utilities dropped out of the program making it impossible to maintain a full time person. We have retained a consultant to provide these services. He is committed to spend a minimum of 8 hours per week on the District's Health and Safety Program.

Benchmarking

The National Association of Clean Water Agencies (NACWA) has conducted an extensive survey of hundreds of wastewater treatment plants and collection systems operated by public agencies. A number of key statistics are presented in the graphs shown in the Statistical Section. The District's results are highlighted on these graphs.

Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Davis Sewer District for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the eighth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

John E. Petersen, the finance columnist for *Governing* magazine, stated in the April 2000 issue, "The Certificate of Achievement Award [is] the real standard-setter in the realm of professional accomplishment."

At its annual conference in May 2000, the Water Environment Association of Utah (WEAU) awarded the District the Best Operated Plant of the year for both the North Plant in the over 5 mgd category and the South Plant in the under 5 mgd category. Eric Nemcek, South Plant Lead Operator, was awarded the Best Plant Operator for the less than 5 mgd category. Dal D. Wayment, the District's

General Manager, was given the Grant K. Borg Extraordinary Service Award. In 2004, Mr. Wayment was awarded the Sidney Bedell award for outstanding service by the Water Environment Federation.

The following pages present the District's organizational chart, a listing of the District's Board of Trustees, the District's 2007 meeting schedule, a listing of the employees of the District, a copy of our 2005 Certificate of Achievement, a list of professional awards, a location map, an area map, staff pictures, and project pictures.

Respectfully submitted,

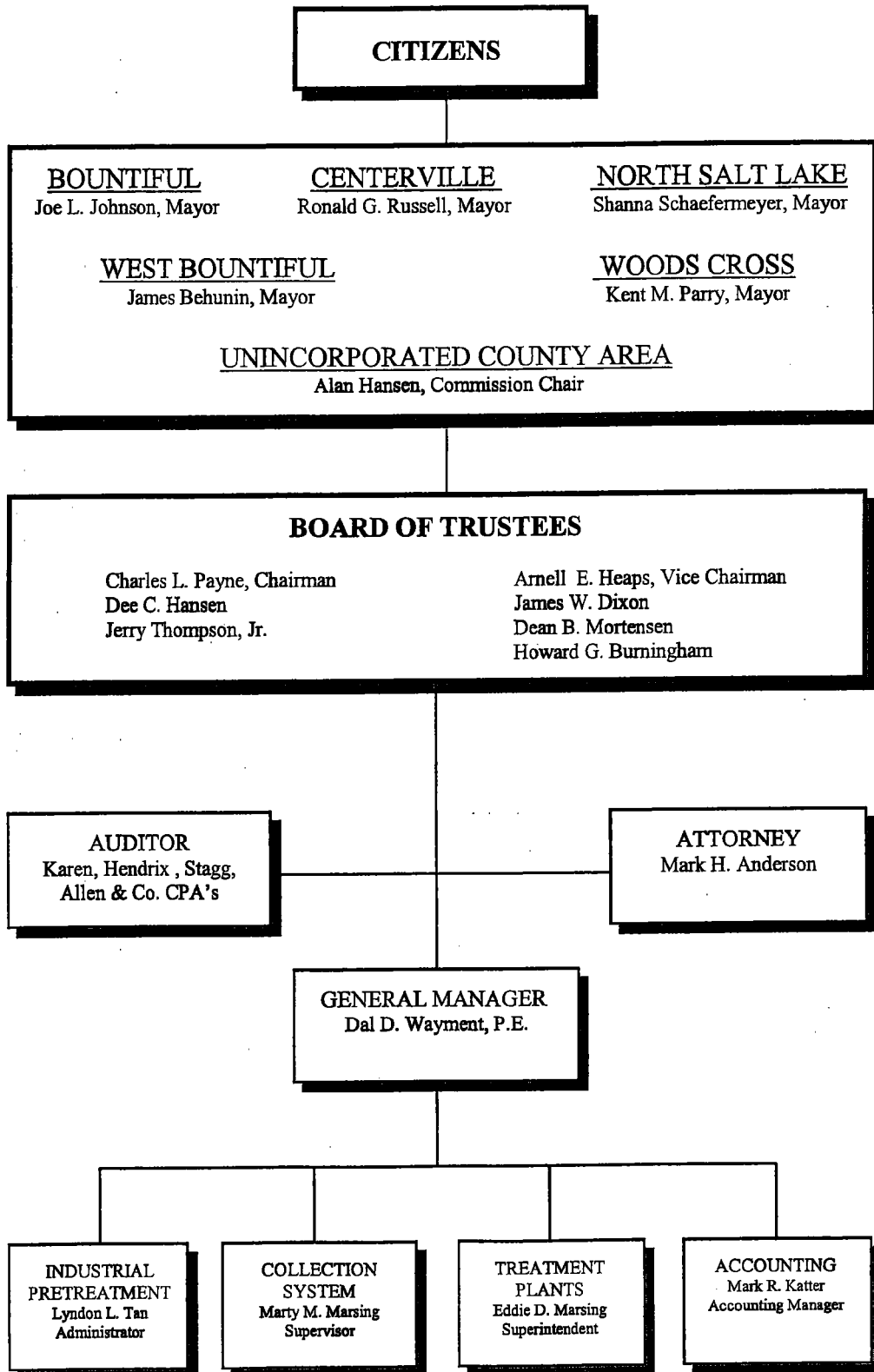


Dal D. Wayment, P.E.
General Manager/Treasurer



Mark R. Katter
Accounting Manager/Clerk

SOUTH DAVIS SEWER DISTRICT
Organizational Chart
For The Year Ending December 31, 2006



SOUTH DAVIS SEWER DISTRICT
Board of Trustees
For The Year Ending December 31, 2006



Name

Title

Representing

Front Row (Left to Right)

Arnell E. Heaps (Appointed)
Charles L. Payne (Appointed)
Jerry Thompson, Jr. (Appointed)

Vice-Chairman
Chairman
Trustee

Bountiful City
Woods Cross City
West Bountiful City

Back Row (Left to Right)

Howard G. Burningham (Elected)
Dee C. Hansen (Appointed)
James W. Dixon (Appointed)
Dean B. Mortensen (Elected)

Trustee
Trustee
Trustee
Trustee

District At Large
Centerville City
North Salt Lake City
District At Large

SOUTH DAVIS SEWER DISTRICT
Board of Trustee Meeting Schedule
For the Year Ending December 31, 2007

The regular meeting of the Board of Trustees for the South Davis Sewer District is held on the third Thursday of each month at 7:30 PM, except in December which shall be the first Thursday at 7:30 PM, to provide for adoption of the Budget by the 15th of the month in compliance with State Statute, at the District Office, located at 1800 West 1200 North, West Bountiful, Utah.

Meeting agendas are posted 3 days in advance at the location of the meeting (1800 West 1200 North, West Bountiful, Utah).

Should circumstances require the regularly scheduled meeting to be changed or the holding of a special meeting be required, notice of such meetings shall be made in accordance with applicable state statutes.

2007 MEETING CALENDAR

January	18th	Thursday	
February	15th	Thursday	
March	15th	Thursday	
April	12th	Thursday	
May	17th	Thursday	
June	21st	Thursday	Adopt 2007 Tax Rate
July	19th	Thursday	
August	16th	Thursday	
September	20th	Thursday	
October	18th	Thursday	Review and Approve Tentative 2008 Budget
November	15th	Thursday	
December	6th	Thursday	Budget Hearing - Adopt Final 2008 Budget

OPEN AND PUBLIC MEETINGS

In adopting the policy, the District recognizes the application of the open and public meeting act, Utah Code 52-4-1. Any inconsistency or conflict between this policy and applicable provisions of the act shall be governed by the act, as amended from time to time.

Every meeting is open to the public unless closed pursuant to Sections 52-4-4 and 52-4-5 of the Utah Code.

SOUTH DAVIS SEWER DISTRICT
Full-Time Employees
For The Year Ending December 31, 2006

Dal D. Wayment	General Manager/Treasurer
Mark R. Katter	Accounting Manager/Clerk
Mike C. Bradshaw	Maintenance
Shane J. Cole	Accounting Clerk Intermediate
John K. Davies	Collection System Inspector
Valerie H. Davis	Clerical/Clerk
Jayson D. Dlugas	Lineman
Shane E. Fleming	Lineman
Corry J. King	Lead Operator
Eddie D. Marsing	Operations Superintendent
Marty G. Marsing	Collection System Supervisor
Brent M. Maxwell	Operator
Susanne F. Monsen	Administrative Assistant
Timothy E. Munden	Operator
Eric S. Nemcek	Assistant Operations Superintendent
DeRae E. Paget	Clerk/Clerical
Brandon S. Rice	Lineman
Stephen J. Rix	Operator
Earl W. Seely	Operator/Biosolids
Lyndon L. Tan	Industrial Pretreatment Administrator
Carl E. Trimming	Lineman
Zane R. Young	Maintenance

Source: District Personnel Records

**SOUTH DAVIS SEWER DISTRICT
AWARDS**

1965	William D. Hatfield Award Ludvig B. Olsen**
1974	Outstanding Wastewater Plant Under 5 MGD Design Capacity* South Plant
1976	Outstanding Wastewater Plant Over 5 MGD Design Capacity* North Plant
1976	Outstanding Treatment Plant Operator/Wastewater Plant Under 5 MGD Design Capacity* Gary C. Hales
1977	Outstanding Wastewater Plant Under 5 MGD Design Capacity* South Plant
1977	Outstanding Treatment Plant Operator/Wastewater Plant Under 5 MGD Design Capacity* Donald E. Stark
1979	Outstanding Collection System Under 5 MGD Design Capacity*
1978	Outstanding Wastewater Plant Over 5 MGD Design Capacity* North Plant
1981	Outstanding Wastewater Plant Under 5 MGD Design Capacity* South Plant
1983	Outstanding Wastewater Plant Under 5 MGD Design Capacity* South Plant
1985	Outstanding Wastewater Plant Under 5 MGD Design Capacity* South Plant
1988	Outstanding Plant Safety Award* North Plant
1994	Outstanding Plant Safety Award* North Plant
1996	George W. Burke Jr. Award**
1999	Outstanding Wastewater Plant Under 5 MGD Design Capacity* South Plant
1999	Outstanding Wastewater Plant Operator Under 5 MGD Design Capacity* Eric S. Nemcek
1999	Outstanding Wastewater Plant Over 5 MGD Design Capacity* North Plant
2000	Grant K. Borg Extraordinary Service Award* Dal D. Wayment
2001	Quarter Century Operators' Club** Dal D. Wayment
2004	Arthur Sidney Bedell Award** Dal D. Wayment

* Water Environment Association of Utah (WEAU/State)

** Water Environment Federation (WEF/National)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Davis Sewer District
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

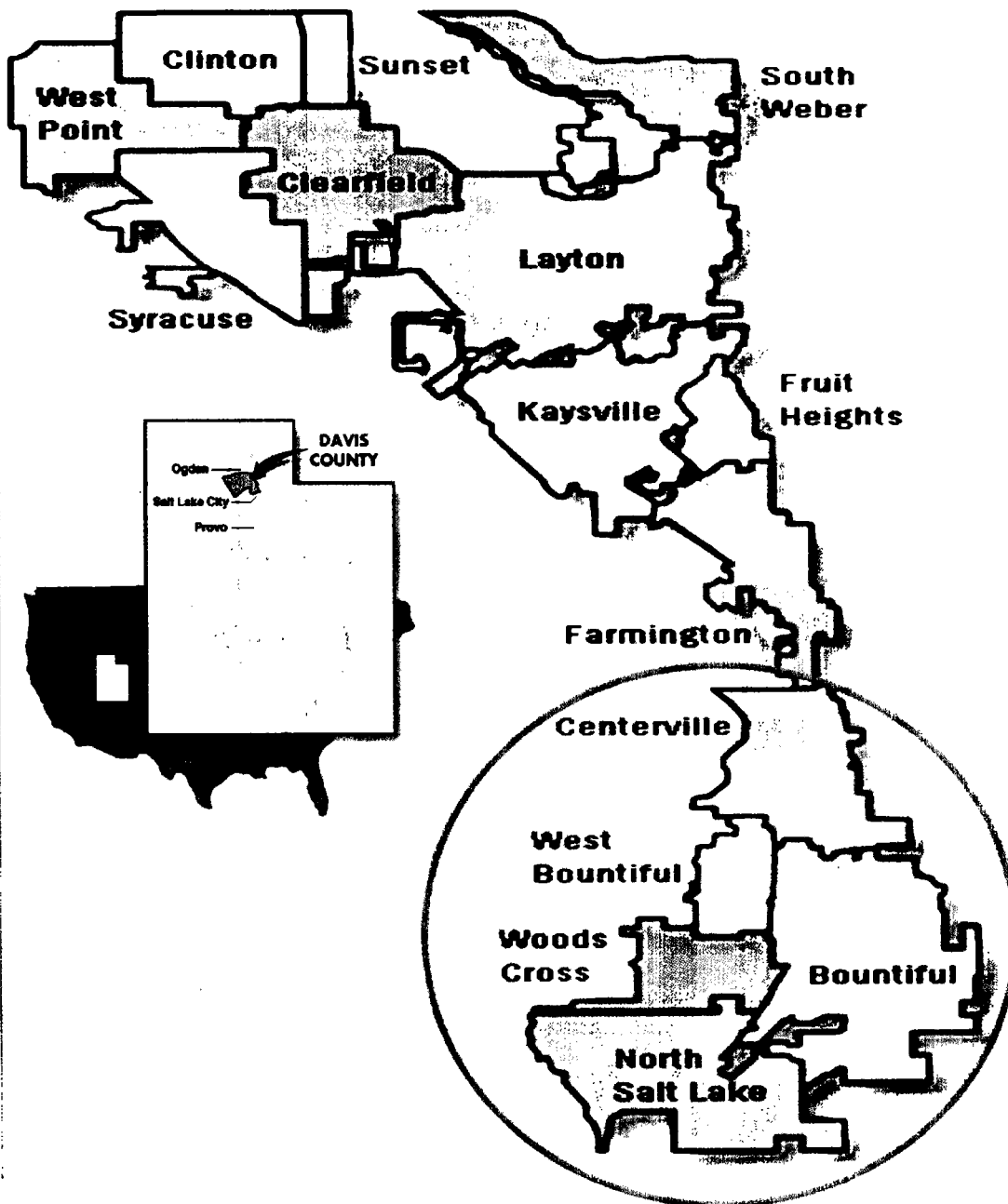
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

South Davis Sewer District Cities

City	Approximate Population (2004)	Square Miles	Date Incorporated
Centerville	14,600	5.99	May 5, 1915
West Bountiful	5,000	2.96	Dec. 31, 1948
Bountiful	43,300	13.22	Dec. 5, 1892
Woods Cross	6,300	3.76	Sep. 4, 1930
North Salt Lake	10,500	8.45	Sep. 3, 1946
Totals	79,700	34.38	





Administration & Office Staff

Valerie Davis, DeRae Paget,
Dal Wayment, Mark Katter,
Susanne Monsen, & Shane Cole

Collection System Operators

Jayson Dlugas, Carl Trimming,
Shane Fleming, Brandon Rice, &
Marty Marsing



Plant Maintenance & Operations Superintendent

Mike Bradshaw, Zane Young,
& Ed Marsing



**Industrial Pretreatment
Administrator**

Lyndon Tan

South Plant Operators

Eric Nemcek, Brent Maxwell,
& Tim Munden



North Plant Operators

Corry King, Steve Rix
& Earl Seely



**Collection System
Inspector**

John Davies

**Dal Wayment assisting
a customer**

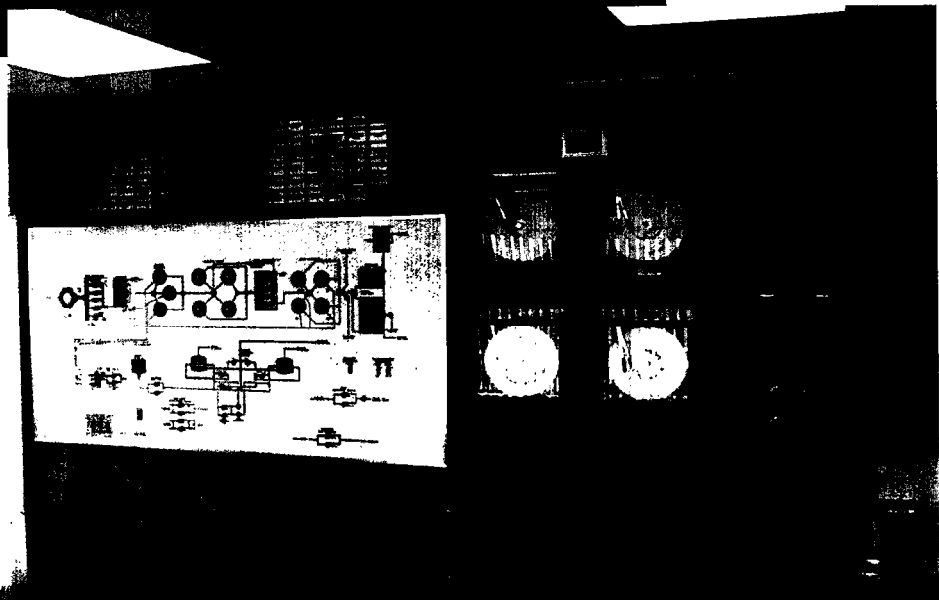


**GIS training for District
employees**



North Plant

North Plant
Operation Control Panel



District Office

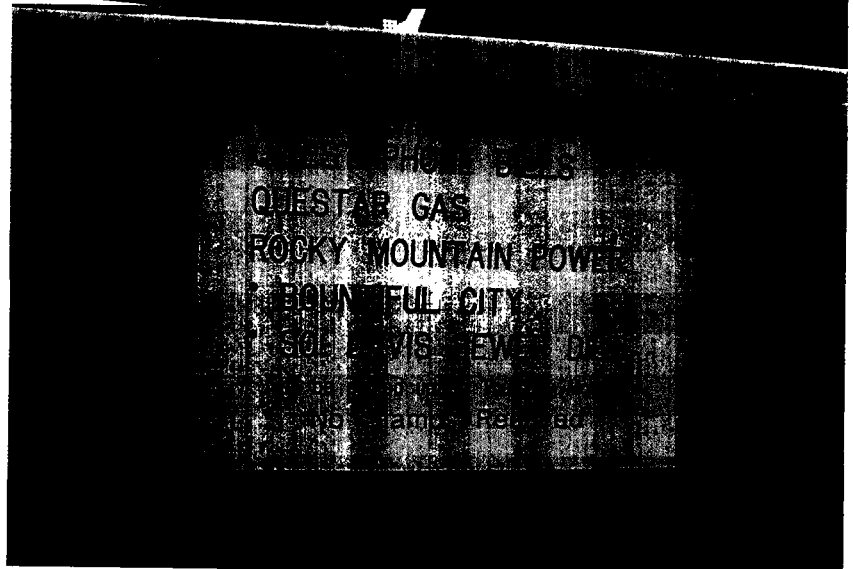
**Sewer Line Rehab with
Trenchless Technology**

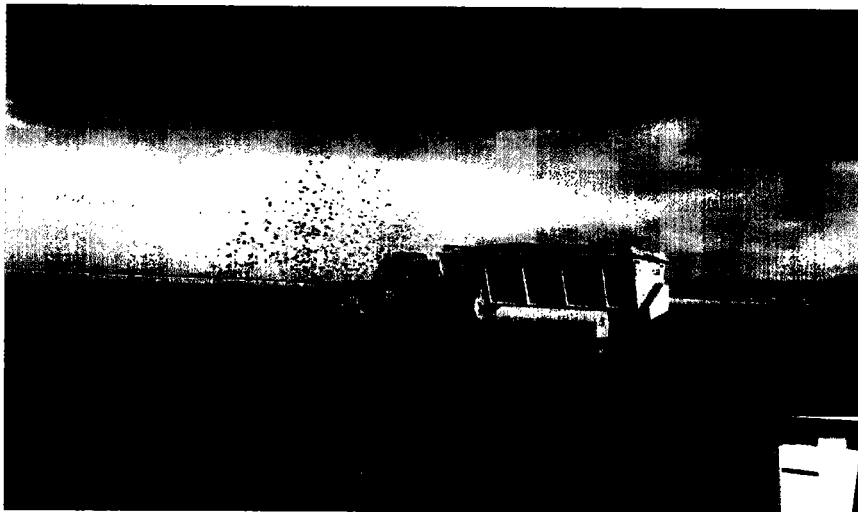


**Board of Trustees
Meeting**

New Payment Drop Boxes

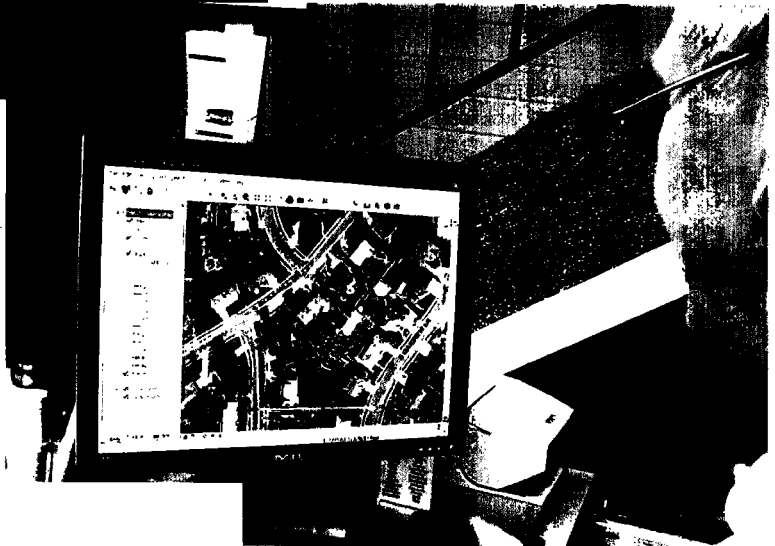
Zions Bank, Bountiful
Dick's Market, Bountiful
Dick's Market, Centerville





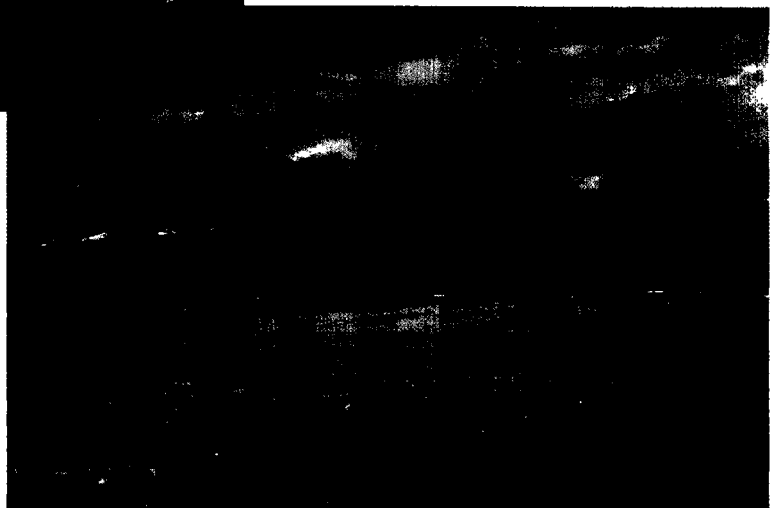
**Land Application
of Biosolids**

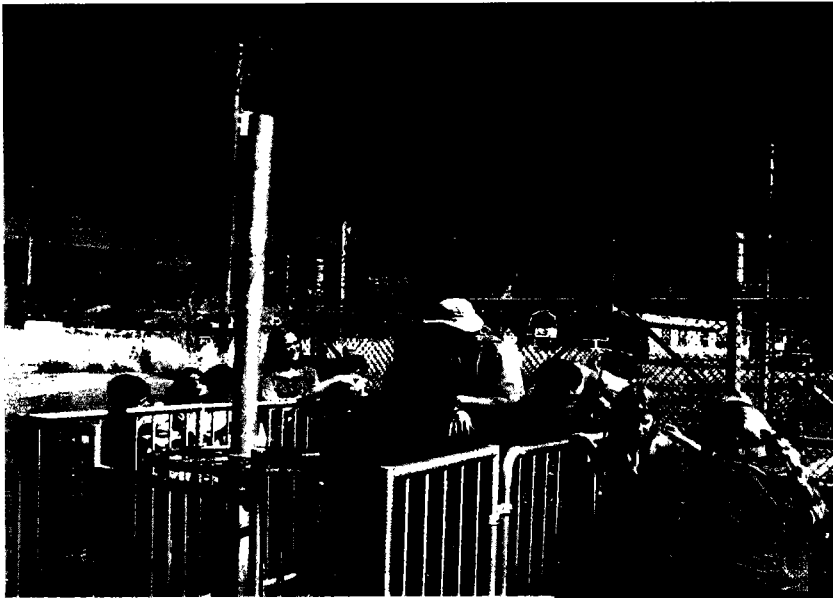
**GIS helps the District
locate manholes and
lines**



**Final Clarifier Rehabilitation
by District Employees**

Legacy Parkway Construction





**Corry King giving a tour of
the North Plant.**

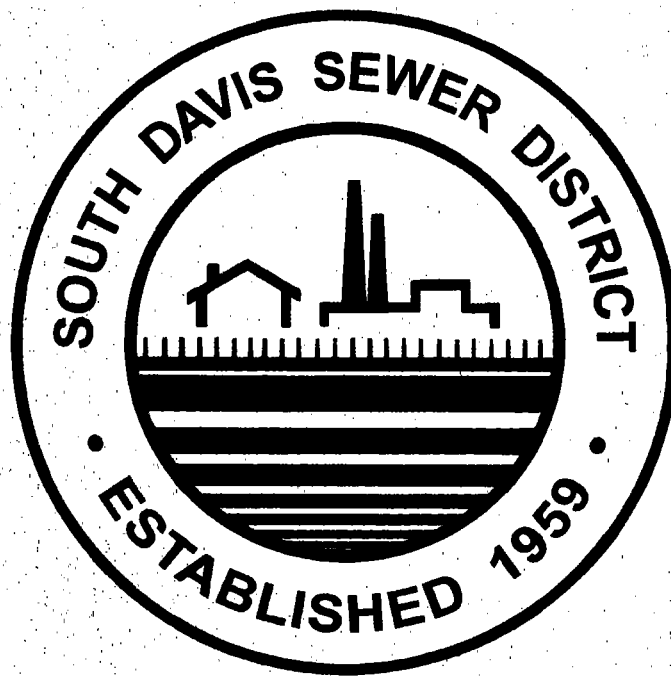
**Collection Department,
New Trackhoe**



**New Industrial Pretreatment
Van**

**Modified/Built by District
Employees**

FINANCIAL SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Ray H. Allen, CPA
Rebecca M. Allred
Robert L. Archuleta, CPA
Stephen R. Capson, CPA
Terry L. Green, CPA
Scott J. Hanni, CPA
Danny L. Hendrix, CPA
B. Joe Merkley, CPA
Tim C. Rees, CPA
Jeffrey N. Ririe, CPA
G. John Runia, CPA
R. Ted Stagg, CPA

Duane C. Karren, Ret.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

We have audited the accompanying financial statements of South Davis Sewer District (the "District"), as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2006 and 2005, and changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis and Modified Approach for Eligible Infrastructure Assets on pages 30 through 38 and 55 through 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section, other supplementary financial information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The other supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Karren, Hendrix, Stagg, Allen + Company

Karren, Hendrix, Stagg, Allen & Company
March 28, 2007

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the year ended December 31, 2006 and December 31, 2005, with comparative totals for December 31, 2004. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal in the Introductory Section (Pages 1-14), the financial statements, and other information which are presented in the Financial Section of this Comprehensive Annual Financial Report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of fiscal year 2006 by \$55,133,021 (Net assets), compared to \$50,136,194 for 2005. (and \$44,756,161 in 2004). The majority of this increase is attributed to the addition of sewer lines to the collections system, impact fee revenue and interest income.
- The District's total net assets increased by \$4,996,827 (10%) from 2005 to 2006 and \$5,380,033 (12%) from 2004 to 2005.
- As of the close of the current fiscal year 2006, the District's cash, cash equivalents and investments, reported combined ending balances of \$15,707,614. 2005 and 2004 ending balances were \$14,314,036 and \$13,390,570 respectively.
- The District's total debt decreased by \$850,000 in 2006, a decrease of 42%, and decreased from 2004 to 2005 by \$825,000, (a 29% decrease). This is a result of refunding the revenue bonds in 2003 to a lower interest rate and a shorter maturity date.
- 2006 Impact Fee revenue was \$1,078,167 (598 sewer connections) which is a 34% decrease from 2005. Impact fee revenue in 2005 was \$1,639,086 (761 sewer connections) and for 2004, \$1,177,624 (744 sewer connections). Continuing low interest rates and high demand, drove the residential construction sector, to near record levels in Davis County.
- Interest Income in 2006, from cash, cash equivalents, and investments totaled \$870,170, (82% increase over 2005). Interest Income in 2005 and 2004 was \$437,737 and \$274,607, respectively, a 59% increase.
- The contribution to capital revenue for 2006 was \$2,254,652, a decrease of \$883,825 from 2005 (-28%). Contribution of capital revenue for 2005 and 2004 was \$3,138,477 and \$5,467,846, respectively. This primarily came from developers and contractors. The 2004 increase was primarily from Bountiful City transferring ownership of their sewer system to the District.
- Reinvested \$2,500,000 in a U. S. Government Agency, Federal Home Loan Bank (FHLB) at 5.30%, settlement date 11/09/06, maturity date 11/21/08 (2.0 years).
- Operating revenues for 2006 and 2005 were \$2,331,531 and \$2,272,914, respectively, (3% increase), and was \$2,079,972 for 2004 (increase of 9% from 2004 to 2005). 2006 operating expenses (less depreciation) decreased by 7%, or \$242,505 from 2005. From 2004 to 2005 operating expenses increased 9%. The 2006 decrease was due primarily to a smaller workforce and more efficiency in system repairs and maintenance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following; 1) the Statement of Net Assets, 2) the Statement of Revenues, Expenses and Changes in Net Assets, 3) the Statement of Cash Flows, 4) notes to the financial statements, 5) required supplementary information, 6) other supplementary information.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner similar to the private sector business. The District is considered an Enterprise Fund. An Enterprise Fund is used to report an activity for which a fee is charged to external users for goods or services.

The *Statement of Net Assets* presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the years presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The *Statement of Cash Flows* presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 43-54 of this report.

The *other information* is additional to the basic financial statements and accompanying notes. These reports present certain *required* and *non-required supplementary information* of the District. The required and non-required supplementary information can be found on pages 55– 57, and 58-60, respectfully.

Financial Analysis of the District

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the South Davis Sewer District, assets exceeded liabilities by \$55,133,021 at the close of the 2006 fiscal year, \$50,136,194 at the close of 2005 fiscal year and \$44,756,161 at the close of 2004.

By far the largest portion of the District's net assets (70% in 2006, 71% in 2005 and 71% in 2004) reflects its investments in capital assets (e.g. sewer lines, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its citizens (customers). The District's investment in capital assets is reported net of related debt. It should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

In 2006, the District's operating revenues increased by 3% (see Changes of Net Assets report), from \$2,272,914 in 2005 to \$2,331,531 in 2006, and were \$2,079,972 for 2004. (an increase of 9% from 2004 to 2005). Non-operating net income increased by \$170,330 in 2006. Operating expenses (less depreciation) decreased by 7%, or \$242,505 from 2005 to 2006 (and increased by 6% from 2004 to 2005). Key factors driving these results include:

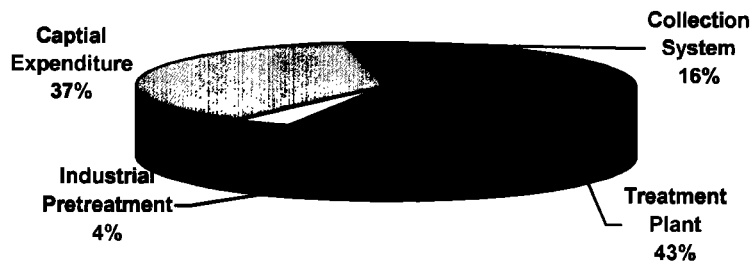
- Sewer service revenue increased entirely from growth, not from rate increases. This growth was primarily from the construction of new homes. The District has not increased sewer service rates since 1988 and did not increase rates for 2006.
- 2006 contribution to capital revenue was \$2,254,652, a decrease of 28% from 2005 (\$3,138,477). 2005 contribution to capital revenue had an \$809,108 increase (35%) over 2004 (Adjusted for Bountiful City sewer addition in 2004).
- Impact fee revenue decreased from \$1,639,086 in 2005, to \$1,078,167 in 2006, a decrease of 45%. Impact fee revenue has continued to be strong since the year 2000. (see statistical section page 65)
- With the implementation of the *Modified Approach to Accounting for Infrastructure* in 2004, depreciation expense for 2006 and 2005 was \$247,992, and \$277,159 respectively. Depreciation expense for 2004 was \$212,581. The *Modified Approach* will be discussed in greater detail in this report. (see required supplemental information section page 55)
- Overall salaries and benefit expenses decreased 1% due to a smaller workforce. Benefits increased 12% (health care costs) and salaries increased 3% (cost of living adjustment).
- The 2006 decrease (-15%) in operating expenses was attributed to less outsourcing of repairs and maintenance, and more efficiency in purchasing materials.

**South Davis Sewer District
Statement of Net Assets
2006-2005 and 2005-2004**

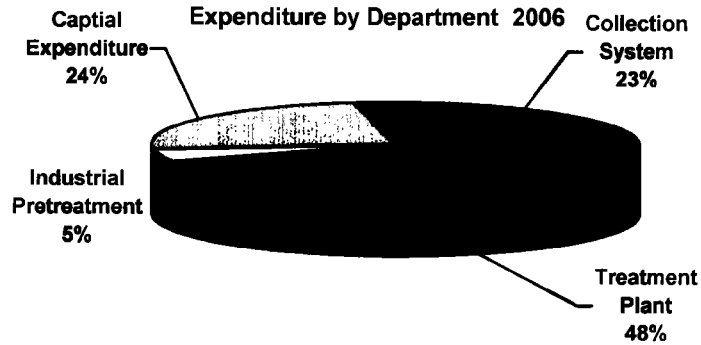
	Fiscal Year 2006	Fiscal Year 2005	Dollar Change	Percent Change
Current and Other Assets	\$ 16,263,153	\$ 14,588,236	\$ 1,674,917	11%
Restricted Assets	793,500	793,500	-	0%
Capital Assets	39,731,240	37,352,886	2,378,354	6%
Total Assets	56,787,893	52,734,622	\$ 4,053,271	8%
Current Liabilities	1,079,645	1,147,394	(67,749)	-6%
Long Term Liabilities	575,227	1,454,034	(878,807)	-60%
Total Liabilities	1,654,872	2,601,428	(946,556)	-36%
Net Assets:				
Invested in capital assets, net of related debt	38,560,177	35,331,082	3,229,095	9%
Restricted	793,500	793,500	-	0%
Unrestricted	15,779,344	14,011,612	1,767,732	13%
Total Net Assets	\$ 55,133,021	\$ 50,136,194	\$ 4,996,827	10%

	Fiscal Year 2005	Fiscal Year 2004	Dollar Change	Percent Change
Current and Other Assets	\$ 14,588,236	\$ 13,261,791	\$ 1,326,445	10%
Restricted Assets	793,500	793,500	-	0%
Capital Assets	37,352,886	34,090,325	3,262,561	10%
Total Assets	52,734,622	48,145,616	\$ 4,589,006	10%
Current Liabilities	1,147,394	1,309,818	(162,424)	-12%
Long Term Liabilities	1,454,034	2,079,637	(625,603)	-30%
Total Liabilities	2,601,428	3,389,455	(788,027)	-23%
Net Assets:				
Invested in capital assets, net of related debt	35,331,082	31,182,688	4,148,394	13%
Restricted	793,500	793,500	-	0%
Unrestricted	14,011,612	12,779,973	1,231,639	10%
Total Net Assets	\$ 50,136,194	\$ 44,756,161	\$ 5,380,033	12%

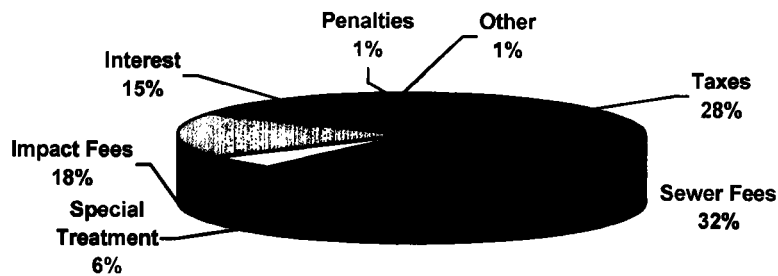
Expenditures by Department 2005



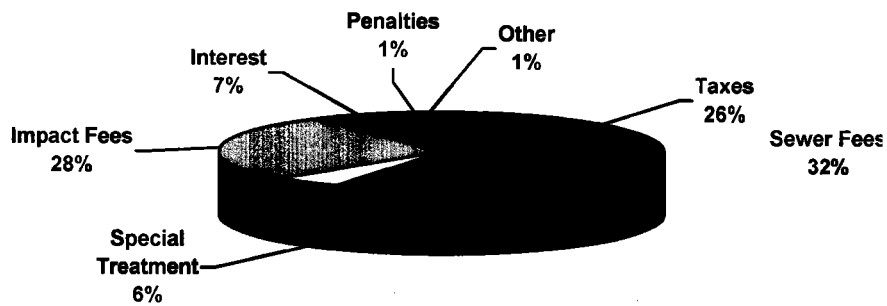
Expenditure by Department 2006



Revenues by Source 2006



Revenues by Source 2005



SOUTH DAVIS SEWER DISTRICT
Revenues, Expenses, and Changes in Net Assets
2006-2005 and 2005-2004

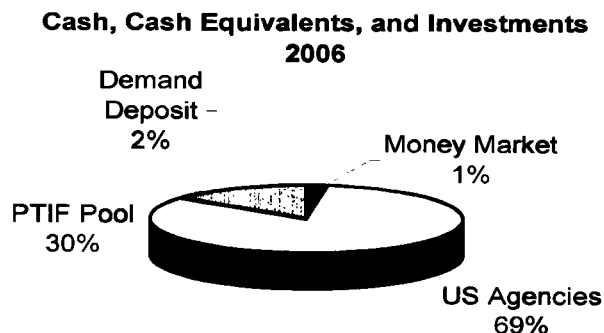
	Fiscal Year 2006	Fiscal Year 2005	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 1,960,948	\$ 1,908,752	\$ 52,196	3%
Special Treatment Fees	199,011	195,397	3,614	2%
Inspection & Project Fees	97,790	90,337	7,453	8%
Other	73,782	78,428	(4,646)	-6%
Total Operating Revenues	2,331,531	2,272,914	58,617	3%
Operating Expenses:				
Operating Expenses	1,245,041	1,462,299	(217,258)	-15%
Salaries & Benefits	1,803,877	1,829,124	(25,247)	-1%
Depreciation	247,992	277,159	(29,167)	-11%
Total Operating Expenses	3,296,910	3,568,582	(271,672)	-8%
Non-Operating Revenue (Expense)				
General Property Tax	1,713,428	1,510,748	202,680	13%
Impact Fees	1,078,167	1,639,086	(560,919)	-34%
Penalties	57,441	56,682	759	1%
Interest Income	825,929	437,700	388,229	89%
Gain (Loss) on Disposal of Property	24,005	11,779	12,226	104%
Interest Expense & Bond Costs	(55,435)	(74,084)	18,649	-25%
Net Change in Fair Value of Investments	64,019	(44,687)	108,706	243%
Total Non-Operating Revenue (Expense)	3,707,554	3,537,224	170,330	5%
Increase in Net Assets Before Capital Contributions	2,742,175	2,241,556	500,619	22%
Contributed Capital	2,254,652	3,138,477	(883,825)	-28%
Increase in Net Assets	4,996,827	5,380,033	(383,206)	-7%
Net Assets at Beginning of Year	50,136,194	44,756,161	5,380,033	12%
Net Assets at End of Year	\$ 55,133,021	\$ 50,136,194	\$ 4,996,827	10%

	Fiscal Year 2005	Fiscal Year 2004	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 1,908,752	\$ 1,685,230	\$ 223,522	13%
Special Treatment Fees	195,397	208,120	(12,723)	-6%
Inspection & Project Fees	90,337	87,447	2,890	3%
Other	78,428	99,175	(20,747)	-21%
Total Operating Revenues	2,272,914	2,079,972	192,942	9%
Operating Expenses:				
Operating Expenses	1,462,299	1,360,500	101,799	7%
Salaries & Benefits	1,829,124	1,764,708	64,416	4%
Depreciation	277,159	212,581	64,578	30%
Total Operating Expenses	3,568,582	3,337,789	230,793	7%
Non-Operating Revenue (Expense)				
General Property Tax	1,510,748	1,654,738	(143,990)	-9%
Impact Fees	1,639,086	1,177,624	461,462	39%
Penalties	56,682	20,090	36,592	182%
Interest Income	437,700	277,984	159,716	57%
Gain (Loss) on Disposal of Property	11,779	(16,841)	28,620	-170%
Interest Expense & Bond Costs	(74,084)	(97,881)	23,797	-24%
Net Change in Fair Value of Investments	(44,687)	(42,797)	(1,890)	-4%
Total Non-Operating Revenue (Expense)	3,537,224	2,972,917	564,307	19%
Increase in Net Assets Before Capital Contributions	2,241,556	1,715,100	526,456	31%
Contributed Capital	3,138,477	5,467,846	(2,329,369)	-43%
Increase in Net Assets	5,380,033	7,182,946	(1,802,913)	-25%
Net Assets at Beginning of Year	44,756,161	37,573,215	7,182,946	19%
Net Assets at End of Year	\$ 50,136,194	\$ 44,756,161	\$ 5,380,033	12%

Cash and Investments

The District's cash that is temporarily idle during the year is invested with the Utah Public Treasurer's Investment Fund (PTIF). The District feels that the safety, liquidity, and return provided by the PTIF is the best overall investment and management of its cash assets for the short-term. The average interest rate paid by the PTIF for 2006 was 4.91% (51% Increase from the 2005 average rate) which was very competitive, compared to other short-term investments in the market. A ten year history of the PTIF interest rates is found in the miscellaneous statistical section on page 85.

The District has two demand deposit accounts and one money market account, all of which earn interest. The interest earned in these three accounts is immaterial, because the account balances are small. As mentioned in the above paragraph, most of the idle cash is in higher interest paying accounts.



Reserves in the amount of \$10,080,000 have been invested directly by the District in callable government agencies. These investments pay interest semi-annually, and the agent for these investments is Zions First National Bank, Capital Markets. The following table summarizes these investments at the 2006 year end:

Investment	Amount	Rate	Interest Date	Interest Payment
FHLB Settlement Date 08/05/04 Maturity Date 08/05/07	\$2,500,000	3.60%	02/05/06 08/05/06 02/05/07 08/05/07	\$45,000 \$45,000 \$45,000 \$45,000
FHLB Settlement Date 07/27/05 Maturity Date 04/27/07	\$2,580,000	4.08%	01/27/06 07/27/06 01/27/07 07/27/07	\$52,632 \$52,632 \$52,632 \$52,632
FMMC Settlement Date 02/08/06 Maturity Date 02/08/08	\$2,500,000	5.02%	08/08/06 02/08/07 08/08/07	\$62,500 \$62,500 \$62,500
FHLB Settlement Date 11/09/06 Maturity Date 11/21/08	\$2,500,000	5.30%	05/21/07 11/21/07	\$66,250 \$66,250

Because of the higher rate of return on these government agency investments, higher interest rates, and the refunding of revenue bonds in 2003, the net interest (the difference between interest income and interest expense) earned per month is was an average of \$65,460 for 2006. This was a 107% increase over 2005.

The Utah State Money Management Act sets forth investment limitations and standards for proper cash management for local government agencies. The Act also defines the type of securities the District is allowed to invest in. The District always follows the requirements of the Money Management Act.

Capital Assets

At the end of 2006, \$55,405,968 was invested in a range of capital assets including land, buildings, plant facilities, biosolids management, collection system, and equipment. This represents a net increase of 5% over 2005 and a 7% increase from 2004 to 2005 as shown in the table below:

Property and Equipment at Cost 2006-2005 and 2005-2004

	Fiscal Year 2006	Fiscal Year 2005	Dollar Change	Percent Change
Land	\$ 73,694	\$ 73,694	\$ -	0%
Buildings & Facilities	19,900,747	19,542,390	358,357	2%
Outfall/Sewer Lines	32,214,709	30,233,440	1,981,269	7%
Equipment	3,057,164	2,905,445	151,719	5%
Construction in Progress	159,654	71,870	87,784	122%
Total	\$ 55,405,968	\$ 52,826,839	\$ 2,579,129	5%

	Fiscal Year 2005	Fiscal Year 2004	Dollar Change	Percent Change
Land	\$ 73,694	\$ 73,694	\$ -	0%
Buildings & Facilities	19,542,390	19,715,072	(172,682)	-1%
Outfall/Sewer Lines	30,233,440	27,009,954	3,223,486	12%
Equipment	2,905,445	2,538,161	367,284	14%
Construction in Progress	71,870	71,870	-	0%
Total	\$ 52,826,839	\$ 49,408,751	\$ 3,418,088	7%

The most significant addition for 2006 was from developer's contributions of sewer lines. This was \$2,254,239.

The District spent \$435,702 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2006. Studies have shown for every dollar of preventative maintenance spent in the first 10 years of an asset, you save \$4-5 over the second 10 years (Iowa Department of Transportation). The District has an aggressive asset management program to prolong the useful life of its assets.

2006 capital asset additions included:

Developer Contributions of Sewer Lines	\$2,054,239
Buildings, Facilities & Lines	245,729
Equipment	322,239
Mobile Equipment	38,983
Total	\$2,661,190

Additional information on the District's capital assets can be found in note 3 on pages 48-49 and on pages 91-92 in the statistical section of this report.

Debt Administration

Because of the low interest rates in 2003, on October 1, 2003, the District refunded its two revenue bonds outstanding (1989 and 1992 series). This bond refunding accelerated the maturity date of the 1989 and 1992 revenue bond series from the years 2010 and 2013, respectfully, to the year 2008. This refunding will reduce interest expense \$723,553 over the schedule of the bond.

As of year-end, (2006) this issue had an outstanding principle balance of \$1,170,000 versus \$2,020,000 last year (2005), which is a decrease of 42%. The principle balance at the end of 2004 was \$2,845,000.

The following table is a payment schedule of the 2003 Revenue Refunding bond:

2003 Revenue Refunding Bond Debt Service Schedule					
Date	Principle	Coupon	Interest	Total P & I	Fiscal Total
6/15/2004			\$ 69,497.22	\$ 69,497.22	
12/15/2004	\$ 790,000.00	3.00%	49,250.00	839,250.00	\$ 908,747.22
6/15/2005			37,400.00	37,400.00	
12/15/2005	\$ 825,000.00	2.50%	37,400.00	862,400.00	\$ 899,800.00
6/15/2006			27,087.50	27,087.50	
12/15/2006	\$ 850,000.00	2.50%	27,087.50	877,087.50	\$ 904,175.00
6/15/2007			16,462.50	16,462.50	
12/15/2007	\$ 870,000.00	2.75%	16,462.50	886,462.50	\$ 902,925.00
6/15/2008			4,500.00	4,500.00	
12/15/2008	\$ 300,000.00	3.00%	4,500.00	304,500.00	\$ 309,000.00
Total	\$ 3,635,000.00		\$ 289,647.22	\$ 3,924,647.22	\$ 3,924,647.22

The 2003 Revenue Refunding Bonds have been rated "AAA" by Moody's bond rating service. Moody's has also assigned an underlying rating of "A2". Such ratings reflect only the view of the rating service, and an explanation of the significance of such ratings maybe obtained from the rating service.

More information on the District's debt can be found on page 50, note 4, in the notes to financial statements and page 77 in the statistical section of this report. The District has no other short-term or long-term debt. No bond issuance is contemplated in the near future.

Modified Approach to Accounting for Infrastructure

Starting January 1, 2004, the District elected to use the *Modified Approach* instead of the *Depreciation Approach* to accounts for its collection system and treatment plant facilities as defined by GASB Statement No. 34. The modified approach reflects a more accurate portrayal of infrastructure value. Using the depreciation approach does not take into account the value added or maintained due to maintenance and rehabilitation efforts. The District's Asset Management Plan (AMP) defines a condition rating scale between 1 and 5, with 1 being very good and 5 being very poor. The target levels of service are a rating between 1 and 3. Funds totaling \$1,212,000 were

budgeted in 2006 to rehabilitate and correct those identified deficiencies in the collection and plant systems. The District has always budgeted significant funds for this purpose. Additional information about the modified approach can be found in the required supplementary information on pages 55-57 of this report.

Economic Factors, Next Year's Budgets, and Rates

- The operating and maintenance costs (O&M) and debt service of the District are currently being covered by the existing user fees and property taxes. No rate increases are expected for 2007.
- The Utah Economic and Business Review (BERR) states, "Utah home builders should have another exceptional year in 2007". The market fundamentals for home building are still extremely strong. There are no signs of serious overbuilding, mortgage rates are expected to average around 6.0 to 6.5 percent and net in-migration and employment are both projected to be near record levels again".
- The formula for calculating the certified tax rate on real and personal property was modified to be based on the prior years *budgeted* revenues instead of *actual* revenues by the State Tax Commission. This change took effect for the 2004 fiscal year. The average Utah home value rose 15.17% in 2006. No material changes in property tax revenue is anticipated for 2007.
- Impact fees and developer contributions were at near record levels for 2006 due to the solid growth in construction. The BERR has projected 2007 construction in Davis County to remain strong. The District expects strong revenues from impact fees and developer contributions in 2007, especially from the Foxboro, Valentine and Mountain View developments.
- Short-term interest rates have been trending upward for the 2nd half of 2006 and are leveling off the 1st quarter in 2007. This is positive for interest income for the District. Conversely, the growth of the District could be affected if interest rates go too high and the construction and housing industry slow down.
- With the Legacy Parkway project receiving approval for construction, the District will have to relocate some sewer lines affected. Any expenses for these projects will be paid by the Utah Department of Transportation (UDOT). The Legacy Parkway is expected to be completed in 2008
- \$2,000,000 has been budgeted for the purchase of land next to the District's North Plant for future expansion and \$1,200,000 for the construction of a Collection Department building at this site. \$1,250,000 has been budgeted to participate in a regional biosolid project in Box Elder County. \$677,000 has been budgeted for a lift stations, line rehabilitations and spot repairs.

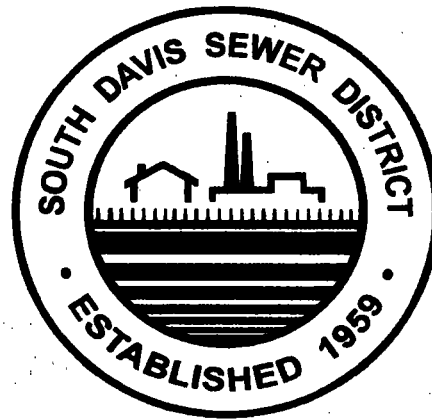
Requests for Information

This financial report is designed to provide a general overview of the South Davis Sewer District finances and to demonstrate accountability in its operations. If you have questions about this report or need additional information, please contact the District's General Manager or Accounting Manager at 1800 W 1200 N, P. O. Box 4000, West Bountiful, Utah 84087-4000, or by phone at (801) 295-3469, or e-mail at dalwayment@qwest.net or markkatter@qwest.net

SOUTH DAVIS SEWER DISTRICT

Basic Financial Statements

For The Years Ended December 31, 2006 and 2005



SOUTH DAVIS SEWER DISTRICT

Statements of Net Assets December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,264,114	\$ 3,870,536
Accounts receivable:		
Sewer service charges	174,981	120,751
Sewer service charges certified to county treasurer	51,297	40,187
Special treatment charges	7,540	42,184
Property taxes	376,275	95,000
Accrued interest	149,021	129,459
Inventory of construction and maintenance materials	38,809	49,612
Prepaid expenses	22,496	-
Total current assets	<u>6,084,533</u>	<u>4,347,729</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents:		
Restricted for revenue bond debt service	363,500	363,500
Restricted for renewal and replacement	430,000	430,000
Capital assets:		
Nondepreciable capital assets	38,712,623	36,285,213
Depreciable capital assets, net	1,018,617	1,067,673
Investments	10,036,220	9,972,703
Reimbursable costs	112,340	222,715
Unamortized bond issue costs	30,060	45,089
Total noncurrent assets	<u>50,703,360</u>	<u>48,386,893</u>
Total assets	<u>56,787,893</u>	<u>52,734,622</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	53,412	158,444
Accrued payroll	41,757	41,527
Accrued payroll taxes	7,537	7,355
Performance deposits and retainage	105,500	87,700
Accrued bond interest	1,439	2,368
Current maturities of bonds payable	870,000	850,000
Total current liabilities	<u>1,079,645</u>	<u>1,147,394</u>
NONCURRENT LIABILITIES		
Bonds payable	329,684	1,214,525
Compensated absences	245,543	236,509
Total noncurrent liabilities	<u>575,227</u>	<u>1,451,034</u>
Total liabilities	<u>1,654,872</u>	<u>2,598,428</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	38,560,177	35,331,082
Restricted for debt service	793,500	793,500
Unrestricted	15,779,344	14,011,612
Total net assets	<u>\$ 55,133,021</u>	<u>\$ 50,136,194</u>

The notes to the financial statements are an integral part of this statement.



SOUTH DAVIS SEWER DISTRICT

Statements of Revenues, Expenses and Changes in Net Assets For the Year Ended December 31, 2006 and 2005

	2006	2005
OPERATING REVENUES		
Sewer service charges	\$ 1,960,948	\$ 1,908,752
Sewer special treatment charges	199,011	195,397
Inspection, and project fees	97,790	90,337
Other operating revenues	73,782	78,428
Total operating revenues	<u>2,331,531</u>	<u>2,272,914</u>
OPERATING EXPENSES		
Personal services	1,803,877	1,829,125
Contractual services	84,429	60,039
Utilities	199,407	193,406
Repairs and maintenance	589,924	786,960
Other supplies and expenses	301,370	349,623
Insurance claims and expenses	69,911	72,270
Depreciation	247,992	277,159
Total operating expenses	<u>3,296,910</u>	<u>3,568,582</u>
OPERATING LOSS	<u>(965,379)</u>	<u>(1,295,668)</u>
NON-OPERATING INCOME AND (EXPENSE)		
General property tax	1,713,428	1,510,748
Impact fees	1,078,167	1,639,086
Miscellaneous revenue	57,441	56,682
Interest income	825,929	437,700
Unrealized gain (loss) on investments	64,016	(44,687)
Gain (loss) on sale of plant equipment	24,005	11,779
Amortization of bond issue costs	(15,029)	(15,029)
Interest expense	(40,403)	(59,055)
Total non-operating income and (expense)	<u>3,707,554</u>	<u>3,537,224</u>
INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	2,742,175	2,241,556
Contributed capital	<u>2,254,652</u>	<u>3,138,477</u>
INCREASE IN NET ASSETS	\$ 4,996,827	\$ 5,380,033
NET ASSETS, BEGINNING OF THE YEAR	<u>50,136,194</u>	<u>44,756,161</u>
NET ASSETS, END OF THE YEAR	<u>\$ 55,133,021</u>	<u>\$ 50,136,194</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows For the Year Ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,239,638	\$ 2,197,585
Payments to suppliers of goods and services	(1,361,766)	(2,020,953)
Payments to employees for services	(1,794,431)	(1,259,032)
Other receipts	171,572	78,428
Net cash used by operating activities	<u>(744,987)</u>	<u>(1,003,972)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	1,432,153	1,575,016
Impact fees collected	1,078,167	1,639,086
Penalties collected	57,441	55,921
Net cash provided by noncapital financing activities	<u>2,567,761</u>	<u>3,270,023</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of capital assets	36,634	26,761
Purchase of capital assets	(384,323)	(415,464)
Principal payments on bonds payable	(850,000)	(825,000)
Interest and agent fees paid on bonds	(56,173)	(74,799)
Net collection (refund) of performance deposits and retainages	17,800	(16,600)
Net cash used by capital and related financial activities	<u>(1,236,062)</u>	<u>(1,305,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or maturity of investments	7,500,000	-
Purchase of investments	(7,500,000)	(2,580,000)
Interest income received	806,866	392,517
Net cash provided (used) by investing activities	<u>806,866</u>	<u>(2,187,483)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,393,578	(1,226,534)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,664,036	5,890,570
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 6,057,614</u>	<u>\$ 4,664,036</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:		
Unrestricted cash and cash equivalents	\$ 5,264,114	\$ 3,870,536
Restricted cash and cash equivalents:		
Cash equivalents restricted for revenue bond debt service	363,500	363,500
Cash equivalents restricted for renewal and replacement	430,000	430,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 6,057,614</u>	<u>\$ 4,664,036</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Contributions of deeded collection lines and equipment	<u>\$ 2,254,652</u>	<u>\$ 3,138,477</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows, Continued For the Year Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (965,379)	\$ (1,295,668)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	247,992	277,159
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	(54,230)	37,531
Sewer service charges certified to county treasurer	(11,110)	(17,046)
Special treatment charges	34,644	(17,386)
Inventory of construction and maintenance materials	10,803	(25,964)
Prepaid expenses	(22,496)	21,300
Reimbursed costs	110,375	(50,215)
Increase (decrease) in:		
Accounts payable	(105,032)	55,327
Accrued payroll	230	3,917
Accrued payroll taxes	182	569
Accrued compensated absences	9,034	6,504
Net cash used by operating activities	<u>\$ (744,987)</u>	<u>\$ (1,003,972)</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

History and Business Activity

South Davis Sewer District (the "District") was established in 1959 to provide sewage collection and treatment services to the residents of South Davis County. The District serves the Cities of North Salt Lake, Woods Cross, Bountiful, West Bountiful, and Centerville as well as the unincorporated areas of South Davis County.

The District is governed by a seven member Board of Trustees. Each of the five incorporated cities included in the District's service area, appoint one member to the Board of Trustees, and the residents of the District at large elect two members during a municipal election. Members of the Board of Trustees serve four-year terms and may be appointed or elected to an unlimited number of additional terms.

Reporting Entity

Based on the criterion identified in the Governmental Accounting Standards Board Statement No. 14, Management has determined that the District is not a component unit of another government entity, nor should the District include, in its basic statements, other government entities as component units.

Basis of Accounting

The District is a governmental unit that is accounted for as a business-type activity. The District's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable pronouncements of the Governmental Accounting Standards Board ("GASB") as well as any applicable pronouncements of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB"), and Accounting Research Bulletins ("ARB"), issued after November 30, 1989.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets. Net assets (i.e. total assets net of total liabilities) are segregated into the following categories: invested in capital assets, net of related debt, restricted for debt service, and unrestricted components.

Net Assets

The District's net assets are classified as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds that are attributable to the acquisition, constriction or improvement of those assets.
- *Restricted* - This component of net assets consists of constraints imposed by creditors (such as debt covenants and/or sinking fund requirements).
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Budgetary Accounting

The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The District prepares and reports its budget on a basis consistent with GAAP with the following exceptions:

- Bond principal payments are budgeted as nonoperating expenditures.
- Depreciation is not budgeted.
- Capital expenditures are budgeted as nonoperating expenditures.

The budgetary report is reconciled to the basic financial statements (GAAP basis) as noted in the other supplementary information found on pages 58 to 59

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

Classification of Revenue

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as sewer service charges, sewer special treatment charges and inspection, and plan review fees.
- **Non-operating revenues** - Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34. Examples of non-operating revenues would be property tax revenues, impact fees, penalties, contributed capital, interest income, and gain or loss on sale of assets.

Property Taxes

Property tax revenue is collected and remitted by the Davis County Treasurer as an agent for the District.

Contributed Capital

Contributed capital consists of reimbursements by land developers for the costs of installing irrigation systems in subdivisions or other developments. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital contributions are recorded as non-operating revenues.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all investment instruments purchased with an original maturity of three months or less are considered cash equivalents.

Bad Debts and Allowance for Doubtful Accounts

The District does not record bad debt expense or an allowance for doubtful accounts on delinquent fees. Unpaid fees are certified to the County and liens are attached to the related real estate.

Inventory Valuation

Inventory is stated at the lower of cost or market on a first-in, first-out ("FIFO") basis.

Bond Issue Costs

Bond issue costs are recorded as an asset and amortized over the life of the related bonds. Amortization is computed on the straight-line method, which approximates the effective interest method.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in computing property tax revenues and amounts receivable from the Davis County Treasurer for property taxes receivable. It is at least reasonably possible that the significant estimates used will change within the next year.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Costs include materials, transportation, and interest on funds borrowed to finance construction. Capital assets are categorized as either nondepreciable or depreciable capital assets.

- **Nondepreciable capital assets** - This category includes inexhaustible capital assets, such as land and land improvements, and eligible infrastructure assets reported using the "Modified Approach" as defined by GASB Statement No. 34. Under the Modified Approach, the cost of additions and improvements to eligible infrastructure assets should be capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets. All other expenditures that preserve the useful life of the assets are expensed in the period incurred. Infrastructure assets are eligible under the Modified Approach as long as the District manages the eligible infrastructure assets using an asset managements system, and the District documents that the

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the District. [See additional information in the Required Supplementary Information (RSI)]

- *Depreciable capital assets* - Assets in this category includes all capital assets not eligible under the Modified Approach. These assets are recorded at cost and contributed assets are valued at their estimated fair market value on the date of the contribution. Additions and improvements that significantly extend the useful life of an asset are capitalized, whereas maintenance and repair costs are charged to current period operating expenses. These assets are depreciated over their remaining useful lives.

Depreciation has been calculated over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

- Machinery and equipment..... 7—15 years
- Mobile equipment..... 5—10 years
- Office furniture and equipment..... 2—10 years

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses, and changes in net assets. Construction in progress primarily relates to upgrades of existing facilities.

Interest Capitalization

The District follows Financial Accounting Standards Board Statement No. 62 concerning the capitalization of interest for qualifying assets. For the years ended December 31, 2006 and 2005, no interest was capitalized.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a "qualified depository." The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

Deposits

Cash and cash equivalents consisted of the following:

	<u>2006</u>	<u>2005</u>
Unrestricted:		
Cash on deposit - demand and money market	\$ 158,052	\$ 166,428
Utah Public Treasurer's Investment Fund	<u>5,106,062</u>	<u>3,704,108</u>
Total unrestricted cash and cash equivalents	<u>5,264,114</u>	<u>3,870,536</u>
Restricted:		
Utah Public Treasurer's Investment Fund	<u>793,500</u>	<u>793,500</u>
Total restricted cash and cash equivalents	<u>793,500</u>	<u>793,500</u>
Total cash and cash equivalents	<u>\$ 6,057,614</u>	<u>\$ 4,664,036</u>

Certain of the District's assets are restricted by provisions of the revenue refunding bond covenants to have a Debt Service Reserve Account, maintained by the bond trustee, with a minimum balance of \$365,000. The balance in this account at December 31, 2006 and 2005 was \$365,000. The bond trustee invested, in the name of the District, the balance of this account in the Utah Public Treasurer's Investment Fund. In addition, the bond covenants require the District to maintain a Renewal and Replacement Reserve Fund with a minimum balance of \$430,000. These funds are maintained by the District and are invested in the Utah Public Investment Treasurer's Fund. The total balance of this fund at December 31, 2006 and 2005 was \$430,000. The total balance of restricted deposits at December 31, 2006 and 2005 was \$793,500.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it.

The District's bank deposits consisted of the following:

	<u>2006</u>	<u>2005</u>
Carrying amount	<u>\$ 158,052</u>	<u>\$ 166,428</u>
Bank balance:		
Covered by federal depository insurance	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	<u>266,442</u>	<u>65,907</u>
Total	<u>\$ 366,442</u>	<u>\$ 165,907</u>

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services Standard and Poor's; bankers' acceptances, obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund. All investments held by the District as December 31, 2006 and 2005; comply with the provisions of the Act.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Funds held in the PTIF by the District are considered cash equivalents due to their liquidity.

The District had the following investments and maturities:

December 31, 2006

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Unrestricted:					
Investment - Fed Home Ln Bank	\$ 2,570,970	\$ 2,570,970	\$ -	\$ -	\$ -
Investment - Fed Home Ln Bank	2,475,750	2,475,750	-	-	-
Investment - Freddie Mac	2,494,750	-	2,494,750	-	-
Investment - Fed Home Ln Bank	2,494,750	-	2,494,750	-	-
Investment - Utah PTIF	5,106,062	5,106,062	-	-	-
Total unrestricted	15,142,282	10,152,782	4,989,500	-	-
Restricted:					
Investment - Utah PTIF	793,500	793,500	-	-	-
Total restricted	793,500	793,500	-	-	-
Total investments	\$ 15,935,782	\$ 10,946,282	\$ 4,989,500	\$ -	\$ -

December 31, 2005

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Unrestricted:					
Investment - Farmer Mac	\$ 2,493,750	\$ 2,493,750	\$ -	\$ -	\$ -
Investment - Fannie Mae	2,467,750	2,467,750	-	-	-
Investment - Fed Home Ln Bank	2,554,203	-	2,554,203	-	-
Investment - Fed Home Ln Bank	2,457,000	-	2,457,000	-	-
Investment - Utah PTIF	3,704,108	3,704,108	-	-	-
Total unrestricted	13,676,811	8,665,608	5,011,203	-	-
Restricted:					
Investment - Utah PTIF	793,500	793,500	-	-	-
Total restricted	793,500	793,500	-	-	-
Total investments	\$ 14,470,311	\$ 9,459,108	\$ 5,011,203	\$ -	\$ -

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 - 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

The District had the following investments and quality ratings:

December 31, 2006

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Investment - Fed Home Ln Bank	\$ 2,570,970	\$ 2,570,970	\$ -	\$ -	\$ -
Investment - Fed Home Ln Bank	2,475,750	2,475,750	-	-	-
Investment - Freddie Mac	2,494,750	2,494,750	-	-	-
Investment - Fed Home Ln Bank	2,494,750	2,494,750	-	-	-
Investment - Utah PTIF	5,106,062	-	-	-	5,106,062
Total investments	<u>\$ 15,142,282</u>	<u>\$ 10,036,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,106,062</u>

December 31, 2005

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Investment - Farmer Mac	\$ 2,493,750	\$ 2,493,750	\$ -	\$ -	\$ -
Investment - Fannie Mae	2,467,750	2,467,750	-	-	-
Investment - Fed Home Ln Bank	2,554,203	2,554,203	-	-	-
Investment - Fed Home Ln Bank	2,457,000	2,457,000	-	-	-
Investment - Utah PTIF	4,497,608	-	-	-	4,497,608
Total investments	<u>\$ 14,470,311</u>	<u>\$ 9,972,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,497,608</u>

3. CAPITAL ASSETS

Effective January 1, 2004, the District elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its sewer treatment facility and collection system. As a result, no accumulated depreciation or depreciation expense has been recorded for the sewer treatment facility and collection system for the years ended December 31, 2006 and 2005. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section immediately following the Notes to the Basic Financial Statements. All other capital assets were reported using the "Basic Approach." Under that approach, accumulated depreciation and depreciation expense have been recorded.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

The changes in capital assets for the year ended December 31, 2006, are as follows:

	12/31/2005	Increase	Decreases	12/31/2006
Nondepreciable capital assets:				
Land	\$ 73,694	\$ -	\$ -	\$ 73,694
Construction in progress	71,870	159,654	(71,870)	159,654
Infrastructure:				
Sewer treatment facility and collection system	49,775,830	2,339,626	-	52,115,456
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,636,181)	-	-	(13,636,181)
Total nondepreciable capital assets	<u>36,285,213</u>	<u>2,499,280</u>	<u>(71,870)</u>	<u>38,712,623</u>
Depreciable capital assets:				
Machinery and equipment	689,224	135,822	-	825,046
Mobile equipment	1,822,538	38,983	(55,662)	1,805,859
Office furniture and equipment	393,683	36,762	(4,186)	426,259
Total depreciable capital assets at historical cost	<u>2,905,445</u>	<u>211,567</u>	<u>(59,848)</u>	<u>3,057,164</u>
Less accumulated depreciation for:				
Machinery and equipment	(417,517)	(62,830)	-	(480,347)
Mobile equipment	(1,136,815)	(149,052)	43,033	(1,242,834)
Office furniture and equipment	(283,440)	(36,112)	4,186	(315,366)
Total accumulated depreciation	<u>(1,837,772)</u>	<u>(247,994)</u>	<u>47,219</u>	<u>(2,038,547)</u>
Depreciable capital assets, net	<u>1,067,673</u>	<u>-</u>	<u>(12,629)</u>	<u>1,018,617</u>
Total capital assets, net	<u>\$ 37,352,886</u>	<u>\$ 2,499,280</u>	<u>\$ (84,499)</u>	<u>\$ 39,731,240</u>

The changes in capital assets for the year ended December 31, 2005 are as follows:

	12/31/2004	Increase	Decreases	12/31/2005
Nondepreciable capital assets:				
Land	\$ 73,694	\$ -	\$ -	\$ 73,694
Construction in progress	71,870	-	-	71,870
Infrastructure:				
Sewer treatment facility and collection system	46,725,026	3,119,603	(68,799)	49,775,830
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,704,980)	-	68,799	(13,636,181)
Total nondepreciable capital assets	<u>33,165,610</u>	<u>3,119,603</u>	<u>-</u>	<u>36,285,213</u>
Depreciable capital assets:				
Machinery and equipment	617,132	72,092	-	689,224
Mobile equipment	1,537,167	354,575	(69,204)	1,822,538
Office furniture and equipment	383,862	9,821	-	393,683
Total depreciable capital assets at historical cost	<u>2,538,161</u>	<u>436,488</u>	<u>(69,204)</u>	<u>2,905,445</u>
Less accumulated depreciation for:				
Machinery and equipment	(337,401)	(80,116)	-	(417,517)
Mobile equipment	(1,024,513)	(165,135)	52,833	(1,136,815)
Office furniture and equipment	(251,532)	(31,908)	-	(283,440)
Total accumulated depreciation	<u>(1,613,446)</u>	<u>(277,159)</u>	<u>52,833</u>	<u>(1,837,772)</u>
Depreciable capital assets, net	<u>924,715</u>	<u>159,329</u>	<u>(16,371)</u>	<u>1,067,673</u>
Total capital assets, net	<u>\$ 34,090,325</u>	<u>\$ 3,278,932</u>	<u>\$ (16,371)</u>	<u>\$ 37,352,886</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

4. LONG-TERM DEBT

2003 Revenue Refunding Bonds

During 2003, the District issued revenue bonds totaling \$3,635,000. The proceeds of the bonds were used to refund the 1989 Series Revenue Bonds and the 1992 Series Revenue Bonds. The 2003 Revenue Refunding Bonds were issued at a total premium of \$77,920. The premium is being amortized over the debt service period of the bonds. These bonds bear interest at 2.5% to 3%, and required principal debt service payments are due on December 15th of each year through 2008. Interest on the bonds is due semi-annually on June 15th and December 15th.

Changes to the District's long-term debt is as follows:

	2006	2005
Total long-term debt at beginning of year	\$ 2,020,000	\$ 2,845,000
Revenue bond retirements	-	-
Refunding revenue bond issuance	-	-
Refunding revenue bond retirements	(850,000)	(825,000)
Total long-term debt at end of year	1,170,000	2,020,000
Refunding revenue bond unamortized premium	29,684	44,525
Total long-term debt at end of year, net	1,199,684	2,064,525
Less current portion	(870,000)	(850,000)
Noncurrent portion	<u>\$ 329,684</u>	<u>\$ 1,214,525</u>

Future debt service payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 870,000	\$ 32,926	\$ 902,926
2008	300,000	9,000	309,000
Total bonds payable	<u>\$ 1,170,000</u>	<u>\$ 41,926</u>	<u>\$ 1,211,926</u>

The 2003 Series Bonds are not subject to redemption prior to maturity. The 2003 Series Revenue Refunding Bonds require a Debt Service Reserve Account of \$363,500. The balance in the Debt Service Reserve Account was \$363,500 at December 31, 2006 and 2005. The bond agreement also requires the District to maintain a Renewal and Replacement Reserve Fund of \$430,000. The balance in the Renewal and Replacement Reserve Fund was \$430,000 at December 31, 2006 and 2005.

These bonds are secured by a first lien on net revenues earned by the District. Net revenues are defined in the bond agreements. The District is required to establish user fees and rates that will yield net revenues equal to at least 125% of the following year's bond debt service requirement.

Long-term compensation liability

The long-term portion of accumulated unpaid compensation as at December 31, 2006 and 2005 was \$245,543 and \$236,509, respectively. Amounts are shown on the statement of net assets as "Accrued compensated absences."

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has obtained commercial insurance coverage to reduce the risk of loss to a level acceptable by the Board.

The District's insurance policies in force at December 31, 2006 are as follows:

Type of Policy	Policy No.	Name of Company	Policy Period
General Liability Bodily Injury Personal Injury Property Damage Public Officials Errors & Omissions	13800-GL2007	Utah Local Governments Trust	1/1/07 to 1/1/08
Property	PX809764	Utah Local Governments Trust	7/1/06 to 7/1/07
Fidelity Bond	0601 69389583	ATP Insurance / CAN Surety	12/31/06 to 12/31/07
Workers Compensation	SI-903 13800	Utah Local Governments Trust	1/1/07 to 1/1/08
Notary Bonds	0601 53733328N 0601 53733328N01	ATP Insurance	3/12/06 to 3/12/10 3/12/06 to 3/12/10

Settled claims have not exceeded commercial excess coverage in any of the past three years.

6. LOCAL GOVERNMENTAL – COST SHARING PENSION PLAN

Plan Description

The District contributes to the Local Governmental Contributory Retirement System (Contributory System) and the Local Governmental Noncontributory Retirement System (Noncontributory System) of the Utah Retirement Systems, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The District also maintains a defined contribution 401(k) plan. The plan is available to all employees who meet certain age and length-of-service eligibility requirements. Mandatory contributions to the plan were required by Board resolution for certain employees who were employed as of December 31, 1986. Voluntary salary deferred contributions may be made by all eligible employees.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

Funding Policy

Plan members are required to contribute a percent of their covered salary to the respective systems to which they belong. The District is required to contribute a percent of covered salary to the respective Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contribution Rates

The contribution rates in effect for calendar 2006 were as follows:

<u>Utah Retirement Systems</u>	<u>Paid by Employee</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
<u>January 2006 - June 2006</u>			
Contributory System:			
Local Government Division	N/A	6.0000%	7.080%
Noncontributory System:			
Local Government Division	N/A	N/A	11.090%
<u>July 2006 - December 2006</u>			
Contributory System:			
Local Government Division	N/A	6.0000%	7.580%
Noncontributory System:			
Local Government Division	N/A	N/A	11.590%

The contribution rates in effect for calendar 2005 were as follows:

<u>Utah Retirement Systems</u>	<u>Paid by Employee</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
<u>January 2005 - June 2005</u>			
Contributory System:			
Local Government Division	N/A	6.0000%	7.080%
Noncontributory System:			
Local Government Division	N/A	N/A	11.090%
<u>July 2005 - December 2005</u>			
Contributory System:			
Local Government Division	N/A	6.0000%	7.080%
Noncontributory System:			
Local Government Division	N/A	N/A	11.090%

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

Required Contributions

The District's contributions to the various systems for the year ended December 31, 2006 and the two previous years were as follows:

System	Year Ended 12/31	Employee Paid Contributions	Employer Paid for Employee Contributions	Employer Contributions	Salary Subject to Retirement Contributions
Contributory System:					
Local Government Division					
	2006	\$ -	\$ 13,663	\$ 16,745	\$ 227,709
	2005	-	13,577	16,021	226,287
	2004	-	12,827	13,585	213,775
Noncontributory System:					
Local Government Division					
	2006	\$ -	\$ -	\$ 89,210	\$ 785,576
	2005	-	-	94,607	853,080
	2004	-	-	82,240	794,709
Defined Contribution System:					
401(k) Plan					
	2006	\$ 71,690	\$ 15,474		
	2005	60,130	15,335		
	2004	36,360	13,351		

7. PROPERTY TAX CALENDAR

The District's property tax calendar is as follows:

Lien date	Jan. 1
District notifies the County of date, time, and place of public hearings.	Mar. 1
County Auditor sends valuation, certified tax rate and levy worksheets to District.	Jun. 8
District must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor.	Before Jun. 22
District adopts a final tax rate.	Jun. 22
District adopts final budget.	Dec. 15
Copy of the budget is submitted to State Auditor.	Within 30 days of adoption.

8. COMPENSATED ABSENCES

The District's employee benefits policy allows employees to accumulate benefits for unused compensated, vacation, and sick leave time to be paid upon termination or retirement. The accrued liabilities at December 31, 2006 and 2005 are reflected on the accompanying balance sheets as "Accrued compensated absences."

SOUTH DAVIS SEWER DISTRICT

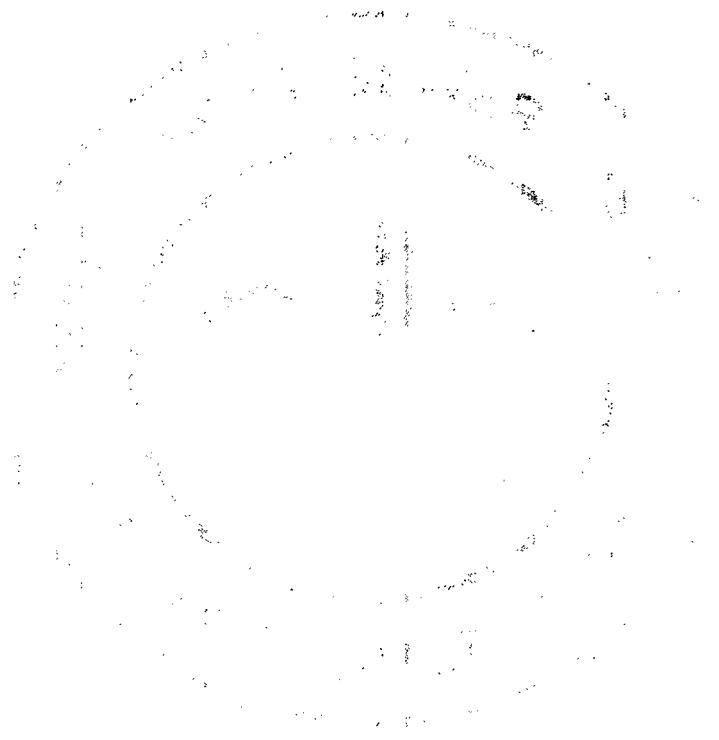
Notes to Financial Statements For the Years Ended December 31, 2006 and 2005

9. REIMBURSABLE COSTS

The District incurred costs associated with the installation of lateral lines for several property owners that had previously been using septic tanks. The District will bill the property owner for these costs by amortizing the total costs over a period of thirty years. However, if a property owner sells or changes title to the property, the entire balance owed to the District at that time is due immediately. These costs were funded without any associated interest being charged to the property owners. The present value of the amount owed to the District would be less if the District were to impute an interest rate and discount the balance due. However, the District believes that the difference from the present carrying value and the estimated amount discounted for an imputed interest rate is immaterial.

10. RELATED PARTY TRANSACTIONS

Board members and certain members of management live within the District's boundaries and are customers of the District. Transaction amounts and/or customer balances related to these transactions are zero or nominal.



REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For The Year Ended December 31, 2006

In accordance with GASB Statement No. 34 the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets of the collection system and treatment plant facilities. Infrastructure assets are capital assets which normally are stationary in nature and can be preserved for a significantly greater number of years than other capital assets. The District's major infrastructure system consists of the collection system and treatment plant facilities and can be divided into subsystems such as trunk lines, collection lines, manholes, lift stations, plant facilities, and other appurtenances. Subsystem detail is not presented in the basic financial statements. However, the District maintains detailed information on these subsystems.

The District has elected to use the "Modified Approach" as defined by GASB Statement No.34 for infrastructure reporting for its collection system and treatment plant facilities. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated if the following requirements are met:

1. The District manages the eligible infrastructure capital assets using an asset management system meeting the following minimum requirement: (A) have an up-to-date inventory; (B) perform condition assessments and summarize the results using a measurement scale; and (C) estimate annual amount to maintain and preserve at the established condition assessment level.
2. The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The District commissioned a physical condition assessment of its collection system and treatment plant facilities beginning January 1, 2004. The District's objective is to complete an assessment annually of all infrastructure assets covered by its asset management system. In accordance with GASB Statement No. 34, note #3, the District's condition assessments will be performed, in part, using statistical samples that are representative of infrastructure assets. The next condition assessment is scheduled in 2007 according to GASB Statement No. 34. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection system and treatment plant facilities are composed of approximately 323 miles of sewer lines, 7810 sections of line, 7810 manholes, 5 lift stations, (4 more lift stations will be online in 2007) and 2 treatment plant facilities, which treat approximately 10,000,000 gallons of wastewater daily.

The collection system had the following work orders for 2006, 2005, and 2004:

Crew	2006		2005		2004	
	Issued	Completed	Issued	Completed	Issued	Completed
CS Operators	407	356	396	375	642	542
MH Rehab Crew	214	144	153	65	326	243
Outside Contractor	28	28	124	43	62	24
Total	649	528	673	483	1030	809

Here are the results from the work orders from 2006 and 2005:

	2006	2005	Variance	Percent Change
Inspections Performed	2,526	2,358	168	7.1%
Cleaning				
Sections	2,389	1,320	1,069	81.0%
Footage	573,095	432,011	141,084	32.7%
TV Work				
Sections	1,161	814	347	42.6%
Footage	290,250	175,409	114,841	65.5%

Approximately 34% of the District's collection system was cleaned and 17% was inspected by closed circuit television (CCTV) in 2006.

The District expended \$435,702 on rehabilitation and replacement of the collection system and treatment plant facilities for the year ended December 31, 2006. These expenditures add service life to the asset. A study by the Iowa Department of Transportation reported that for every dollar of preventative maintenance spent in the first 10 years of an asset, you save \$4-5 over the second 10 years. The District has an aggressive asset management program to prolong the useful life of its assets.

The District is starting to use trenchless technology as a means of being more efficient in repairing and maintaining the collection system. \$297,000 is budgeted for 2007 to purchase trenchless technology equipment, resin, and liner, to complete trenchless rehabilitation projects of the collection system. Another \$400,000 is budgeted for main line CIPP system.

The District developed condition grade scales to provide a means of rating the assets during each condition assessment. The assets are assessed for several possible defects which are assigned a relative weight. Those weights are then normalized to sum to one (100%). The assigned condition grade score for each possible defect is multiplied by the normalized relative weight to yield a weighted defect score. The weighted defect scores are totaled for each asset, yielding a total asset rating that will range from 1 to 5. The total Asset Ratings and corresponding Levels of Service are summarized in the following table. The District has set a minimum service level of 3 (moderate/fair) for all infrastructure assets.

Level of Service		Total Asset Rating
1 – Very Good	=	1.0<TAR<1.5
2 – Good	=	1.5<TAR<2.5
3 – Moderate/Fair	=	2.5<TAR<3.5
4 – Poor	=	3.5<TAR<4.5
5 – Very Poor	=	4.5<TAR

During 2004, the District performed condition assessments of 3225 line segments for the collection system, calculated in accordance with GASB Statement No. 34 guideline. In addition, the District did an assessment of both treatment plant facilities, 6924 manholes and four lift stations. The condition assessment of the 3225 line segments identified 62 deficiencies in line segments and 80 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2004. Two deficiencies in the treatment plants were identified. These are both Cogeneration systems at the North and South treatments plants. All of the lift stations and the remainder of the infrastructure assets were at or above the minimum service level. These results were within the estimated expectations of the District.

The following condition assessments were noted:

Condition	North Plant Treatment Plant Assets Assessed	South Plant Treatment Assets Assessed	Sewer Line Segments Assessed	Number of Manholes Assessed	Number of Lift Stations Assessed
1 - Very Good	28	21	3095	6468	3
2 - Good	1	2	3	193	1
3 - Moderate/Fair	1	1	65	183	
4 - Poor			62	80	
5 - Very Poor	*1	*1			

* Cogeneration systems have been taken out of service due to problems with Siloxane and digester gas. Will remain out of service until a solution is found.

The District will perform a condition reassessment of all infrastructure capital assets in 2007 in accordance with GASB statement No. 34. (Modified approach)

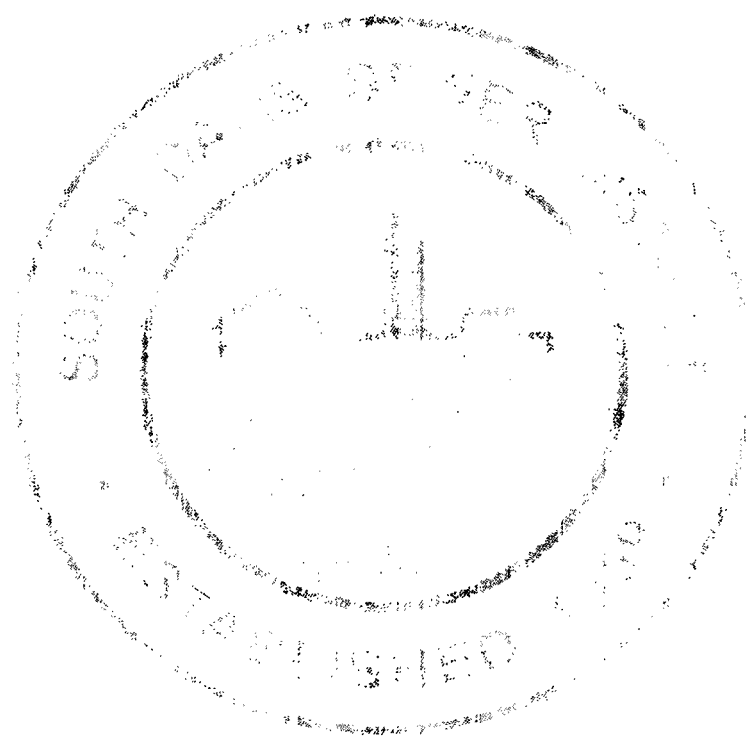
The actual amounts the District expended on rehabilitation of the collection system and treatment plant facilities over the current and past six reporting periods are as follows:

1999	\$1,317,655
2000	\$1,259,180
2001	\$793,410
2002	\$1,126,938
2003	\$984,207
2004	\$814,888
2005	\$595,568
2006	\$435,702

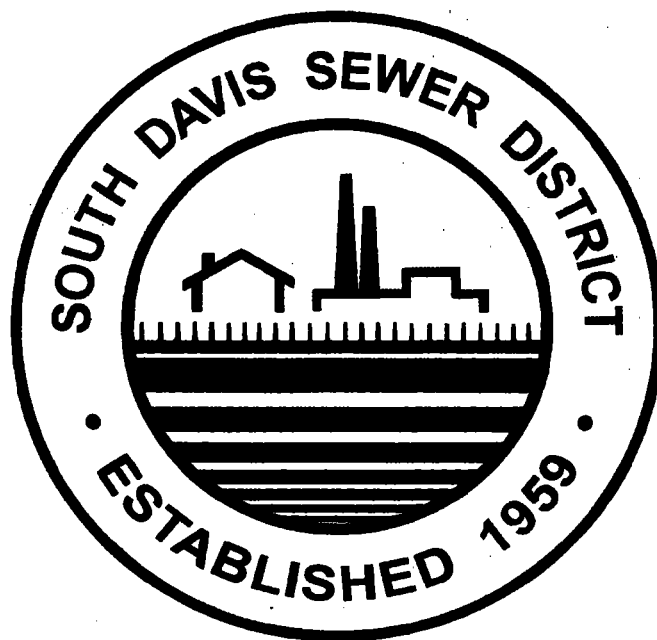
The budget required to maintain and preserve the current overall condition through the year ended. December 31, 2030, is estimated to be \$943,422 per year. This figure was arrived at by taking the average expenditures from 1999 to 2006 and adding 3% for inflation (\$915,944 *1.03).

Funds totaling \$2,216,000 have been budgeted for the fiscal year 2007 for the continued preservation and rehabilitation of the District's infrastructure assets and is allocated as follows:

\$677,000	Collection System Rehabilitation
79,000	Plant Building Rehabilitation
1,460,000	Plant Equipment Rehabilitation



SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenditures, Budget to Actual
(Non-GAAP Budgetary Basis)
For The Year Ended, December 31, 2006

	Original	Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
<i>Operating Revenues</i>				
Sewer Service Charges	\$ 1,885,000.00	\$ 1,885,000.00	\$ 1,964,578.00	\$ 79,578.00
Sewer Special Treatment	115,000.00	115,000.00	199,011.00	84,011.00
Inspection Fees	15,000.00	15,000.00	19,690.00	4,690.00
Project Fees	40,000.00	40,000.00	78,100.00	38,100.00
Permit Fees	7,000.00	7,000.00	7,050.00	50.00
Sampling Fees	10,000.00	10,000.00	7,550.00	(2,450.00)
Lab Testing Fees	65,000.00	65,000.00	39,260.00	(25,740.00)
Taxable Sales	3,000.00	3,000.00	14,025.00	11,025.00
Misc Income	3,000.00	3,000.00	5,897.00	2,897.00
Refund and Allowances	(5,000.00)	(5,000.00)	(3,630.00)	1,370.00
Total	\$ 2,138,000.00	\$ 2,138,000.00	\$ 2,331,531.00	\$ 193,531.00
<i>Nonoperating Revenues</i>				
Property Taxes	\$ 1,642,000.00	\$ 1,642,000.00	\$ 1,550,428.00	\$ (91,572.00)
Impact Fees	600,000.00	600,000.00	1,078,167.00	478,167.00
Penalties	25,000.00	25,000.00	57,150.00	32,150.00
Interest	415,000.00	415,000.00	826,429.00	411,429.00
Surplus Property Sales	1,000.00	1,000.00	290.00	(710.00)
Total	\$ 2,683,000.00	\$ 2,683,000.00	\$ 3,512,464.00	\$ 829,464.00
Total Revenue	\$ 4,821,000.00	\$ 4,821,000.00	\$ 5,843,995.00	\$ 1,022,995.00
EXPENDITURES				
<i>Operating Expenditures</i>				
Operating Expenses	\$ 260,000.00	\$ 260,000.00	\$ 186,241.00	\$ 73,759.00
Utilities	198,000.00	198,000.00	213,027.00	(15,027.00)
Payroll and Benefits	1,971,000.00	1,971,000.00	1,803,877.00	167,123.00
Biosolid Disposal	10,000.00	10,000.00	8,548.00	1,452.00
No-Fault Sewer Back-up	20,000.00	20,000.00	2,407.32	17,592.68
Outside Services	50,000.00	50,000.00	71,249.00	(21,249.00)
Chemicals	110,000.00	110,000.00	130,034.00	(20,034.00)
Lab Testing	135,000.00	135,000.00	141,867.00	(6,867.00)
Transportation	51,000.00	51,000.00	44,374.00	6,626.00
Buildings & Grounds	44,000.00	44,000.00	41,618.00	2,382.00
Office & Computer	44,000.00	44,000.00	52,691.00	(8,691.00)
Insurance	67,000.00	67,000.00	82,533.00	(15,533.00)
Self Insurance Casualty	2,000.00	2,000.00	(91.98)	2,091.98
Audit	13,000.00	13,000.00	16,000.00	(3,000.00)
Education & Training	23,000.00	23,000.00	18,404.00	4,596.00
Total	\$ 2,998,000.00	\$ 2,998,000.00	\$ 2,812,778.34	\$ 185,221.66

SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenditures, Budget to Actual
(Non-GAAP Budgetary Basis)
For The Year Ended, December 31, 2006

Non Operating Expenditures

Capital Expenditures

Outfall/Sewer Lines	\$ 810,000.00	\$ 810,000.00	\$ 610,923.00	\$ 199,077.00
Operating Equipment	1,060,000.00	1,060,000.00	131,095.00	928,905.00
Building and Facilities	555,000.00	555,000.00	29,968.00	525,032.00
Mobile Equipment	12,000.00	12,000.00	18,983.00	(6,983.00)
Major Equipment	100,000.00	100,000.00	18,288.00	81,712.00
Engineering	75,000.00	75,000.00	-	75,000.00
Construction	180,000.00	180,000.00	18,287.00	161,713.00
Office Equipment	56,000.00	56,000.00	37,837.00	18,163.00
Gain on Asset Disposition	-	-	(24,005.00)	24,005.00

Other

Debt Service Principle	825,000.00	825,000.00	825,000.00	-
Debt Service Interest	75,000.00	75,000.00	55,432.00	19,568.00
Total	\$ 3,748,000.00	\$ 3,748,000.00	\$ 1,721,808.00	\$ 2,026,192.00

Total Expenditures	\$ 6,746,000.00	\$ 6,746,000.00	\$ 4,534,586.34	\$ 2,211,413.66
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Excess of Revenue over Expenditures	\$ (1,925,000.00)	\$ (1,925,000.00)	\$ 1,309,408.66	
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SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees
Treatment Plant
Last Ten Years

Year Collected	Impact Fee	Interest	Total
1997	\$ 608,515	\$ 34,497	\$ 643,012
1998	819,533	45,269	\$ 864,802
1999	841,107	45,314	\$ 886,421
2000	751,670	48,783	\$ 800,453
2001	781,945	33,987	\$ 815,932
2002	817,140	18,012	\$ 835,152
2003	912,280	15,192	\$ 927,472
2004	1,177,624	20,508	\$ 1,198,132
2005	1,639,086	53,374	\$ 1,692,460
2006	1,078,167	52,967	\$ 1,131,134
Total	\$ 9,427,067	\$ 367,903	\$ 9,794,970

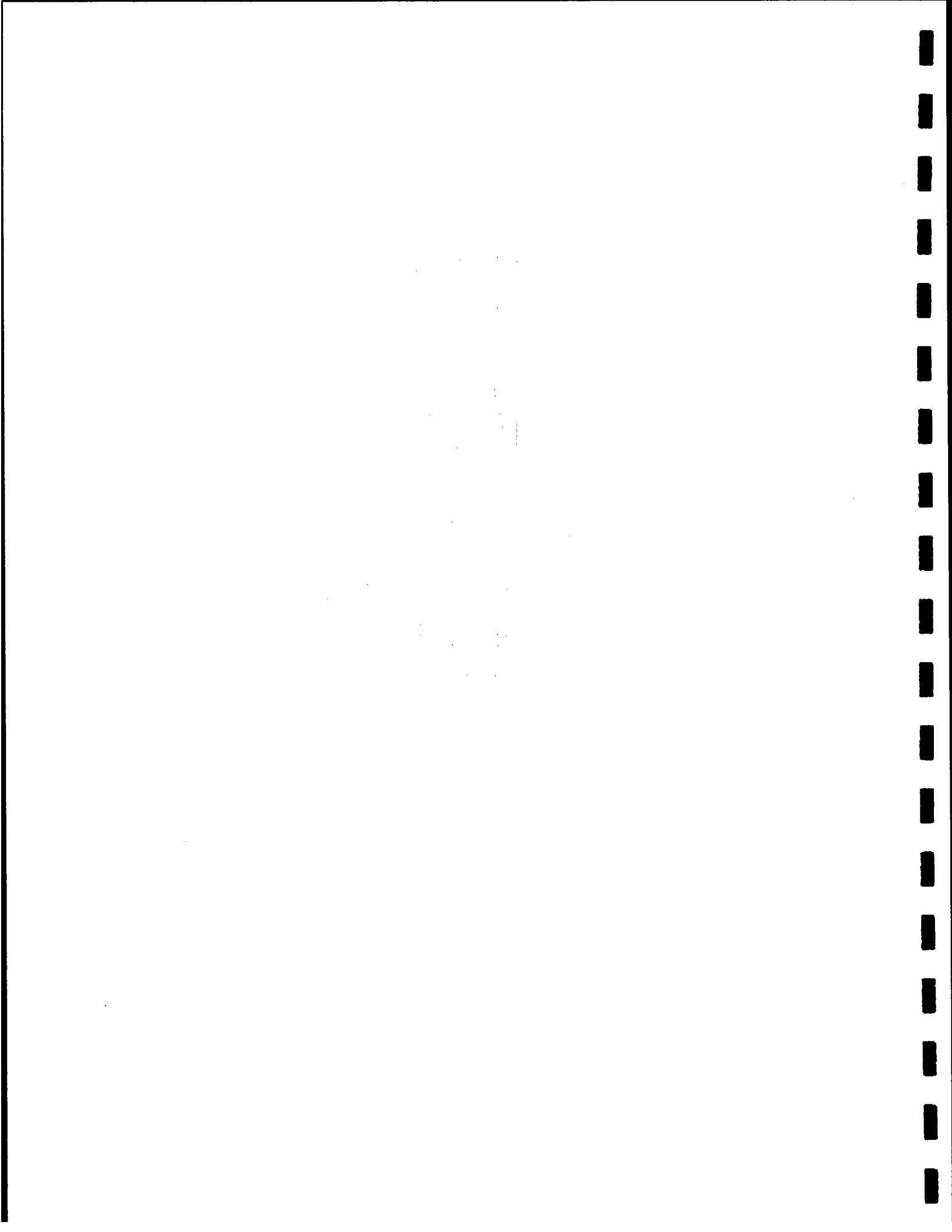
The District's impact fee is \$1,456.00 per residence or residential equivalent.

In 1997 the District did an analytical review on impact fee costs based upon Code, Sections 11-36-100 to 11-36-300

Resolution #136 addresses the District's impact fees.

Source: District accounting records and impact fee study

Note: Because of the nature of providing wastewater collection and treatment, facilities are always built in anticipation of growth. Impact fees are therefore collected in arrears and are used to reimburse the District's capital account. Therefore no schedule for impact fee expenditures is available since they considered expended as soon as they are collected. See statistical section for capital expenditures.



STATISTICAL SECTION



STATISTICAL SECTION

This part of the South Davis Sewer District's comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	61
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	64
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	77
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	80
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.</i>	89

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

SOUTH DAVIS SEWER DISTRICT
Statement of Net Assets
Last Ten Fiscal Years

	***2006	2005	*2004	2003	**2002	2001	2000	1999	1998	1997
Assets										
Current & Other Assets	\$ 16,263,153	\$ 14,588,236	\$ 13,261,791	\$ 11,739,397	\$ 11,009,309	\$ 12,035,263	\$ 11,624,458	\$ 11,334,970	\$ 10,745,679	\$ 9,400,539
Restricted Assets	793,500	793,500	793,500	794,430	956,815	1,133,535	1,133,535	1,139,599	1,133,535	1,133,535
Capital Assets (Net)	39,731,240	37,352,886	34,090,325	29,191,572	28,945,866	28,756,175	28,031,828	26,854,334	25,934,221	25,459,245
Total Assets	\$ 56,787,893	\$ 52,734,622	\$ 48,145,616	\$ 41,725,399	\$ 40,911,990	\$ 41,924,973	\$ 40,789,821	\$ 39,328,903	\$ 37,813,435	\$ 35,993,319
Liabilities										
Current Liabilities	\$ 1,079,645	\$ 1,147,394	\$ 1,309,818	\$ 1,208,651	\$ 1,016,815	\$ 1,383,922	\$ 1,179,380	\$ 1,056,895	\$ 955,778	\$ 968,562
Long Term Liabilities	575,227	1,451,034	2,079,637	2,943,533	5,113,815	7,762,922	8,286,380	7,818,500	8,503,000	9,161,500
Total Liabilities	\$ 1,654,872	\$ 2,598,428	\$ 3,389,455	\$ 4,152,184	\$ 6,130,630	\$ 9,146,844	\$ 9,465,760	\$ 8,875,395	\$ 9,458,778	\$ 10,130,062
Net Assets:										
Invested in Capital Assets (Net of related debt)	\$ 38,560,177	\$ 35,331,082	\$ 31,182,688	\$ 29,191,572	\$ 28,945,866	\$ 28,756,175	\$ 28,031,828	\$ 26,854,334	\$ 25,934,221	\$ 25,459,245
Restricted	793,500	793,500	793,500	794,430	956,815	1,133,535	1,133,535	1,139,599	1,133,535	1,133,535
Unrestricted	15,779,344	14,011,612	12,779,973	7,587,213	4,878,679	2,888,419	2,158,698	2,459,575	1,286,901	(729,523)
Total Net Assets	\$ 55,133,021	\$ 50,136,194	\$ 44,756,161	\$ 37,573,215	\$ 34,781,360	\$ 32,778,129	\$ 31,324,061	\$ 30,453,508	\$ 28,354,657	\$ 25,863,257

*GASB Statement No. 34 implemented

**On 1/1/04 Bountiful City transferred it's sewer system to the District resulting in \$3,368,405 additional capital contribution revenue

**GASB Statement No. 33 implemented, capital contributions are now in the Statement of Revenues, Expenses and Changes in Net Assets.

***GASB Statement No. 44 implemented

Revenue Bonds were refunded at the end of 2002 (See MD&A Section).

Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District.

SOUTH DAVIS SEWER DISTRICT
Statement of Changes in Net Assets
Last Ten Fiscal Years

	***2006	2005	*2004	2003	**2002	2001	2000	1999	1998	1997
Operating Revenues										
Sewer Service User Fees	\$ 1,960,948	\$ 1,908,752	\$ 1,885,230	\$ 1,496,348	\$ 1,451,046	\$ 1,430,813	\$ 1,379,280	\$ 1,357,290	\$ 1,329,122	\$ 1,281,936
Sewer Special Treatment Fees	199,011	195,397	208,120	231,953	268,714	321,480	298,865	343,849	266,888	261,331
Inspection & Project Fees	97,790	90,337	87,447	104,367	64,837	39,360	60,210	84,750	30,270	56,070
Other	73,782	78,428	99,175	61,984	14,101	42,511	20,292	8,083	43,082	57,717
Total Operating Revenue	\$ 2,331,531	\$ 2,272,914	\$ 2,079,972	\$ 1,894,652	\$ 1,798,698	\$ 1,834,164	\$ 1,758,647	\$ 1,793,972	\$ 1,669,360	\$ 1,657,054
Operating Expenses										
Operating & Maintenance	\$ 3,048,918	\$ 3,291,423	\$ 3,125,208	\$ 2,366,135	\$ 2,485,066	\$ 2,299,468	\$ 2,057,887	\$ 2,016,568	\$ 1,858,085	\$ 1,813,086
Depreciation	247,992	277,159	212,581	1,497,531	1,421,443	1,308,064	1,254,438	1,296,774	1,218,237	1,124,915
Total Operating Expenses	\$ 3,296,910	\$ 3,568,582	\$ 3,337,789	\$ 3,863,666	\$ 3,906,509	\$ 3,607,532	\$ 3,312,325	\$ 3,313,342	\$ 3,076,322	\$ 2,938,001
Non-Operating Revenue (Expense)										
General Property Tax	\$ 1,713,428	\$ 1,510,748	\$ 1,654,738	\$ 1,460,645	\$ 1,367,164	\$ 1,244,637	\$ 1,319,561	\$ 1,514,336	\$ 1,460,252	\$ 1,365,397
Impact Fees	1,078,167	1,639,086	1,177,624	908,085	817,140	781,945	751,670	841,107	816,533	590,225
Penalties	57,441	56,682	20,090	20,354	25,027	30,807	23,702	20,792	122,252	22,110
Contributed Capital	2,254,852	3,138,477	5,467,846	1,301,278	1,332,678	-	-	-	-	-
Interest Income	825,929	437,700	277,984	295,478	311,617	566,158	803,735	659,829	616,839	614,919
Gain (Loss) on Disposal of Property	24,005	11,779	(16,841)	19,901	20,859	(15,978)	22,963	8,678	(4,355)	15,758
Interest & Bond Expenses	(55,432)	(74,084)	(97,881)	(149,686)	(233,890)	(313,540)	(340,510)	(366,430)	(391,750)	(415,250)
Net Change in Fair Value of Investments	64,016	(44,887)	(42,797)	(112,001)	103,340	-	-	-	-	-
Total Non-Operating Revenue (Expense)	\$ 5,962,206	\$ 6,675,701	\$ 8,440,763	\$ 3,744,054	\$ 3,743,935	\$ 2,294,029	\$ 2,581,121	\$ 2,678,312	\$ 2,619,771	\$ 2,193,159
Income (Loss) Before Contributions	\$ 2,742,175	\$ 2,241,556	\$ 1,715,100	\$ 473,762	\$ 303,446	\$ 520,661	\$ 1,027,443	\$ 1,158,942	\$ 1,212,809	\$ 912,212
Capital Contributions - Assets	2,254,852	3,138,477	5,467,846	1,301,278	1,332,678	1,137,949	1,022,490	939,909	1,278,591	1,579,188
Increase in Net Assets	\$ 4,996,927	\$ 5,380,033	\$ 7,182,946	\$ 1,775,040	\$ 1,636,124	\$ 1,658,610	\$ 2,049,933	\$ 2,098,851	\$ 2,491,400	\$ 2,491,400
Net Assets at Beginning of Year	50,136,194	44,756,161	37,573,215	35,798,175	34,162,051	32,503,441	30,453,508	28,354,657	25,863,257	25,863,257
Net Assets at End of Year	55,133,021	50,136,194	44,756,161	37,573,215	35,798,175	34,162,051	32,503,441	30,453,508	28,354,657	28,354,657

*GASB Statement No. 34 implemented

**On 1/1/04 Bountiful City transferred its sewer system to the District resulting in \$3,368,405 additional capital contribution revenue

**GASB Statement No. 33 implemented, capital contributions are now in the Statement of Revenues, Expenses and Changes in Net Assets.

***GASB Statement No. 44 implemented

Revenue bonds were refunded at the end of 2002 (See MD&A section)

SOUTH DAVIS SEWER DISTRICT
Schedule of Net Revenue and Aggregate Debt Service
Last Ten Fiscal Years

	***2006	2005	*2004	2003	**2002	2001	2000	1999	1998	1997
Net Revenues										
Operating Revenues	\$ 2,331,531	\$ 2,272,914	\$ 2,079,972	\$ 1,894,652	\$ 1,798,698	\$ 1,834,164	\$ 1,758,647	\$ 1,793,972	\$ 1,669,360	\$ 1,657,054
Operating Expenses (excluding depreciation & amortization)	(3,544,902)	(3,305,691)	(3,125,208)	(2,366,135)	(2,485,066)	(2,299,468)	(2,057,887)	(2,016,568)	(1,858,085)	(1,813,086)
General Property Tax	1,713,428	1,510,748	1,654,738	1,460,645	1,367,164	1,244,837	1,319,561	1,514,338	1,460,252	1,365,397
Impact Fees	1,078,167	1,639,086	1,177,624	908,085	817,140	781,945	751,670	841,107	816,533	590,225
Penalties	57,441	55,921	20,090	20,354	25,027	30,807	23,702	20,792	122,252	22,110
Interest Income	825,929	437,700	277,984	295,478	311,617	566,158	803,735	659,829	616,839	614,919
Total Net Revenues	\$ 2,461,594	\$ 2,610,678	\$ 2,085,200	\$ 2,213,079	\$ 1,834,580	\$ 2,158,243	\$ 2,589,428	\$ 2,813,468	\$ 2,827,151	\$ 2,436,619
Net Revenues Excluding Impact Fees										
Net Revenues	2,461,594	2,610,678	2,085,200	2,213,079	1,834,580	2,158,243	2,589,428	2,813,468	2,827,151	2,436,619
Impact Fees	(1,078,167)	(1,639,086)	(1,177,624)	(908,085)	(817,140)	(781,945)	(751,670)	(841,107)	(816,533)	(590,225)
Net Revenues Excluding Impact Fees	\$ 1,383,427	\$ 971,592	\$ 907,576	\$ 1,304,994	\$ 1,017,440	\$ 1,376,298	\$ 1,847,758	\$ 1,972,361	\$ 2,010,618	\$ 1,846,394
Aggregate Debt Service*	\$ 904,176	\$ 899,800	\$ 908,747	\$ 1,064,280	\$ 2,991,100	\$ 1,027,000	\$ 1,025,010	\$ 1,024,930	\$ 1,025,250	\$ 1,025,227
Ratio of Net Revenues to Aggregate Debt Service	2.72	2.90	2.29	2.08	0.61	2.10	2.54	2.75	2.76	2.38
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	1.53	1.08	1.00	1.23	0.34	1.34	1.80	1.92	1.96	1.80
Minimum Ratio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

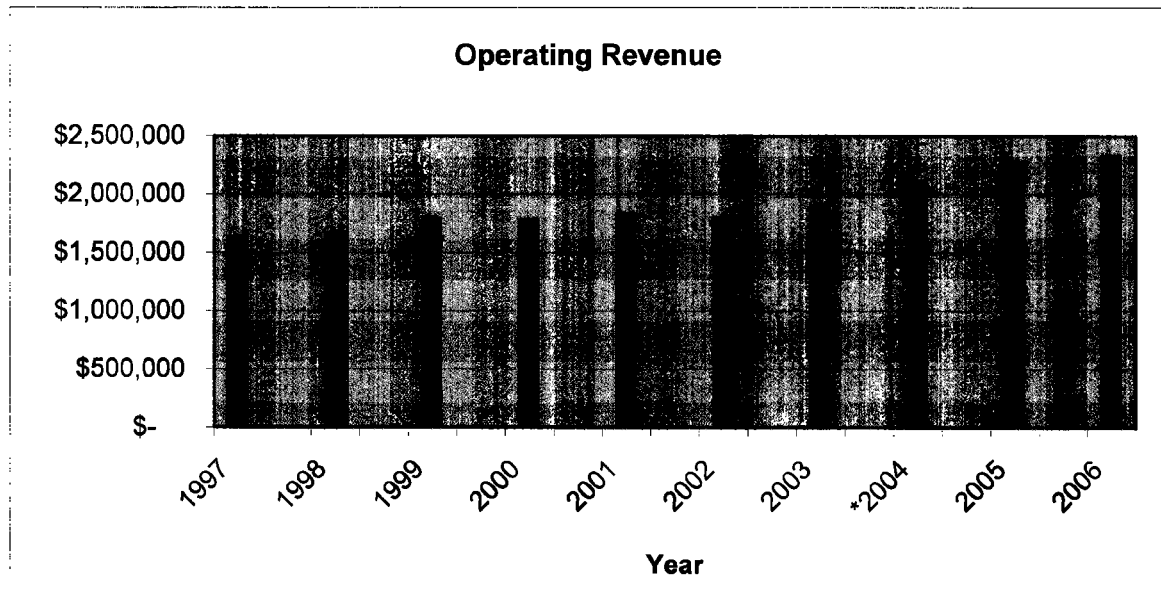
*GASB Statement No. 34 implemented
*On 1/1/04 Bountiful City transferred its sewer system to the District resulting in \$3,368,405 additional capital contribution revenue
**GASB Statement No. 33 implemented, capital contributions are now in the Statement of Revenues, Expenses and Changes in Net Assets.
***GASB Statement No. 44 implemented

Revenue Bonds were refunded at the end of 2002 (See MD&A Section).
Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District.
The District has no general obligation bonds or other contracts which obligate the District to disburse funds.
A schedule of debt service for the past ten years is in this statistical section

SOUTH DAVIS SEWER DISTRICT

Operating Revenues Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment	Other	Total
1997	\$ 1,281,936	\$ 261,331	\$ 95,497	\$ 1,638,764
1998	\$ 1,329,122	\$ 266,886	\$ 73,352	\$ 1,669,360
1999	\$ 1,357,290	\$ 343,849	\$ 92,833	\$ 1,793,972
2000	\$ 1,379,280	\$ 298,865	\$ 103,465	\$ 1,781,610
2001	\$ 1,430,813	\$ 321,480	\$ 81,871	\$ 1,834,164
2002	\$ 1,451,046	\$ 268,714	\$ 78,938	\$ 1,798,698
2003	\$ 1,491,677	\$ 287,124	\$ 107,934	\$ 1,886,735
*2004	\$ 1,685,229	\$ 295,567	\$ 99,175	\$ 2,079,971
2005	\$ 1,908,752	\$ 285,734	\$ 78,428	\$ 2,272,914
2006	\$ 1,960,948	\$ 296,801	\$ 73,782	\$ 2,331,531



Source: District Records

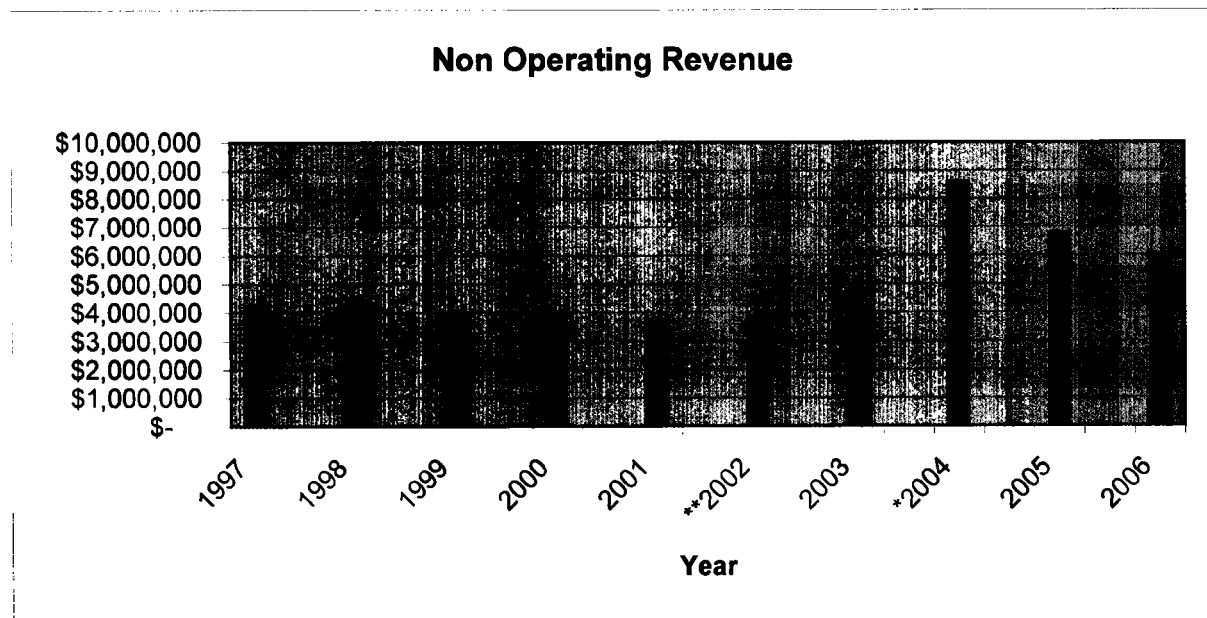
*Bountiful City Sewer System was transferred on 1/1/04 to the South Davis Sewer System.

This added approximately 9000 new customers to the District. The first billing to the new Bountiful City customers began 7/01/04 (1/2 year). 2005 was the first full year billing for these new customers.

SOUTH DAVIS SEWER DISTRICT

Non Operating Revenue Last Ten Fiscal Years

Year	Taxes	Capitol Contributions	Impact Fees	Interest	Penalties	Total
1997	\$ 1,365,397	\$ 1,579,188	\$ 608,515	\$ 614,920	\$ 22,110	\$ 4,190,130
1998	\$ 1,460,252	\$ 1,278,591	\$ 819,533	\$ 616,839	\$ 122,252	\$ 4,297,467
1999	\$ 1,514,336	\$ 939,909	\$ 841,107	\$ 659,829	\$ 20,792	\$ 3,975,973
2000	\$ 1,319,561	\$ 1,022,490	\$ 751,670	\$ 803,735	\$ 23,702	\$ 3,921,158
2001	\$ 1,244,637	\$ 1,137,949	\$ 781,945	\$ 566,158	\$ 30,807	\$ 3,761,496
**2002	\$ 1,367,164	\$ 1,332,678	\$ 817,140	\$ 311,617	\$ 25,027	\$ 3,853,626
2003	\$ 1,460,645	\$ 1,301,278	\$ 912,280	\$ 299,235	\$ 20,354	\$ 3,993,792
*2004	\$ 1,654,738	\$ 5,467,846	\$ 1,177,624	\$ 274,607	\$ 20,090	\$ 8,594,905
2005	\$ 1,510,748	\$ 3,138,477	\$ 1,639,086	\$ 437,700	\$ 55,921	\$ 6,781,932
2006	\$ 1,713,428	\$ 2,254,652	\$ 1,078,167	\$ 825,929	\$ 57,441	\$ 5,929,617



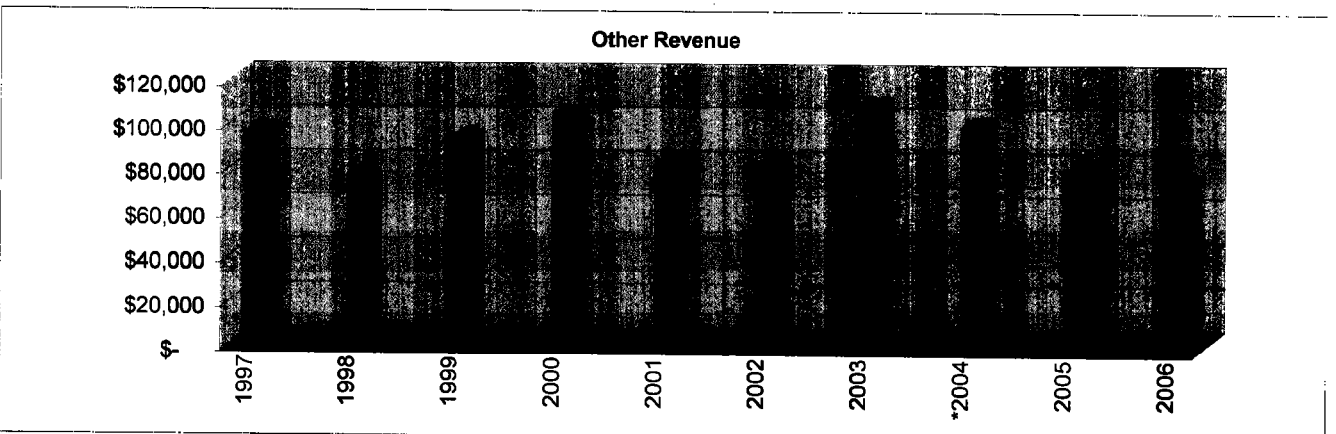
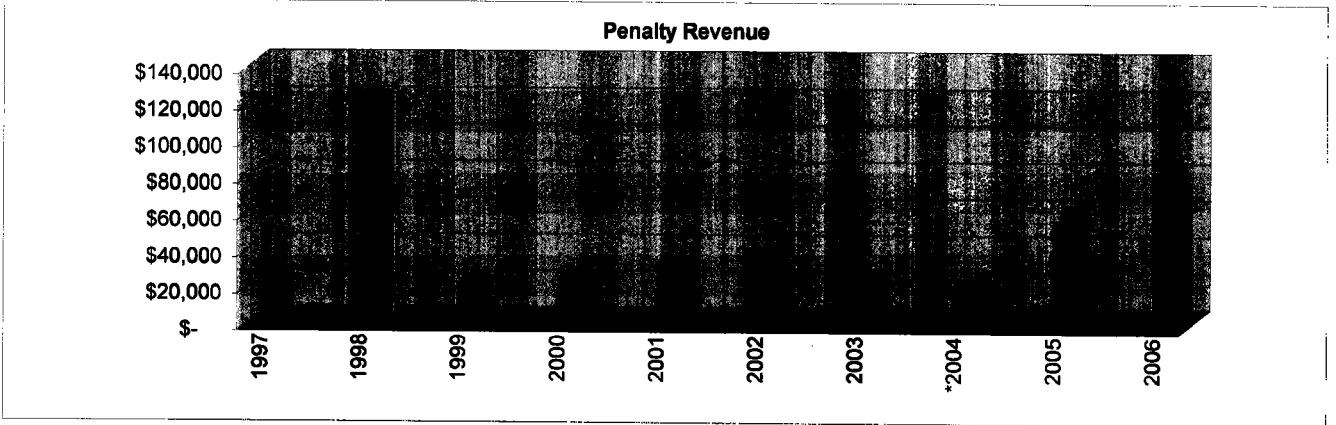
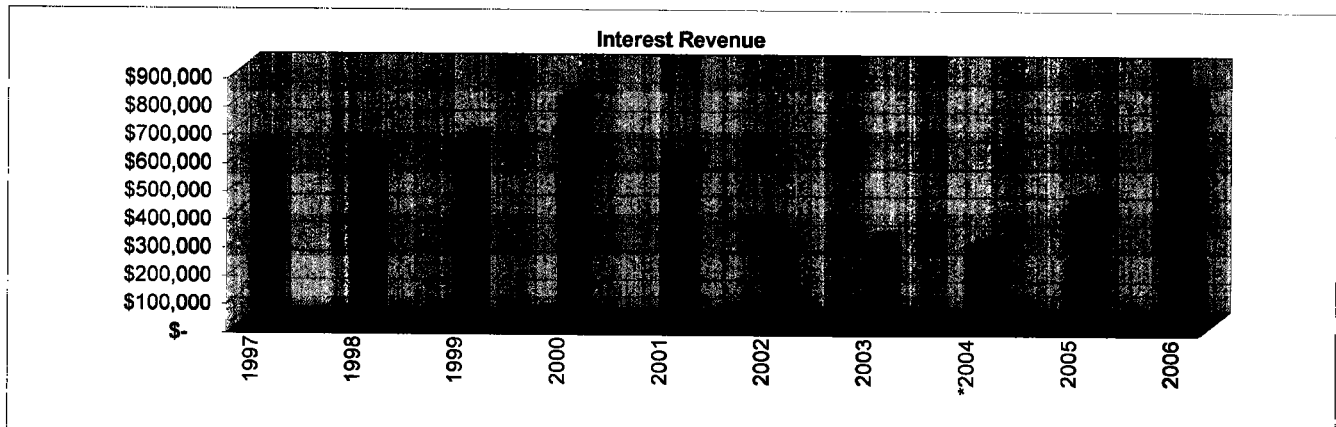
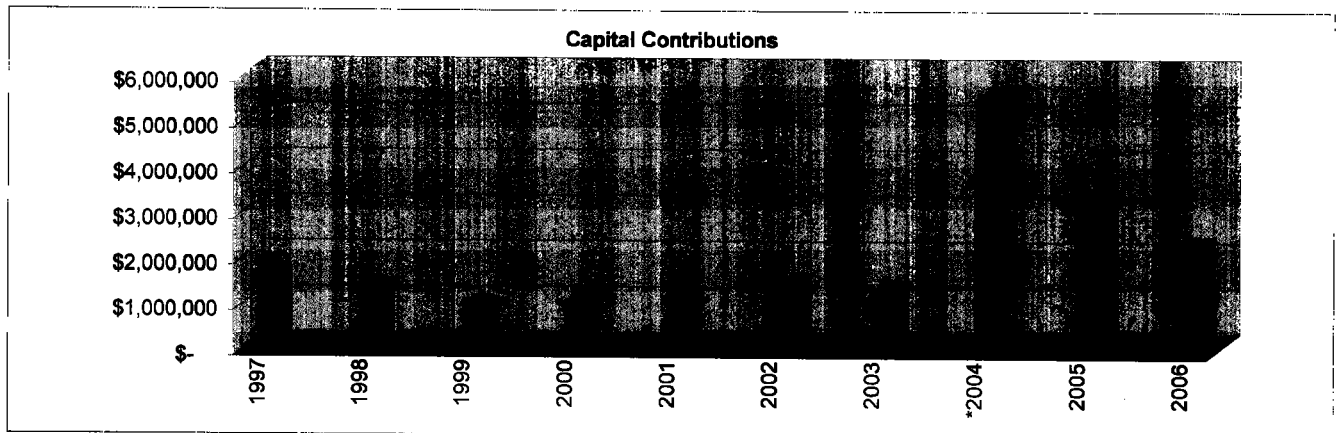
Source: District Records

*Bountiful City Sewer System was transferred to the South Davis Sewer District on 1/1/04

**GABS Statement No. 33 was implemented in 2002. Capital contributions are now in the Statement of Revenues, Expenses and Changes in Net Assets. Capital contributions are classified as non operating revenue.

SOUTH DAVIS SEWER DISTRICT

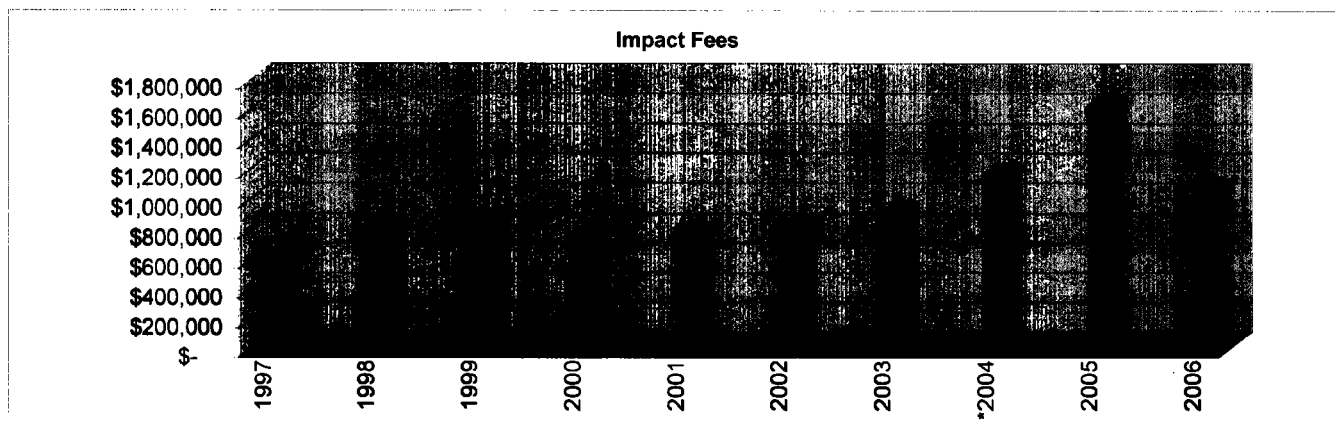
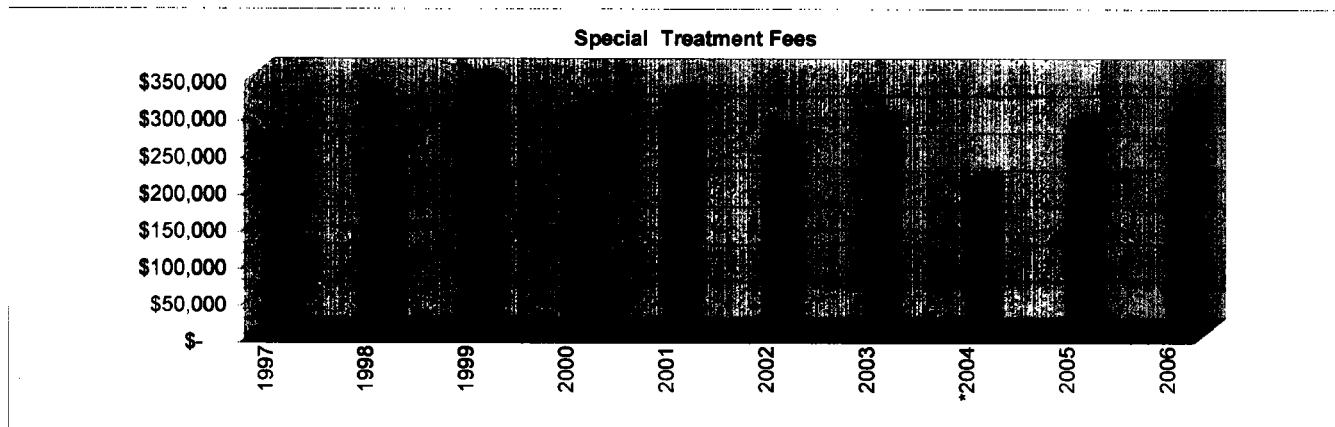
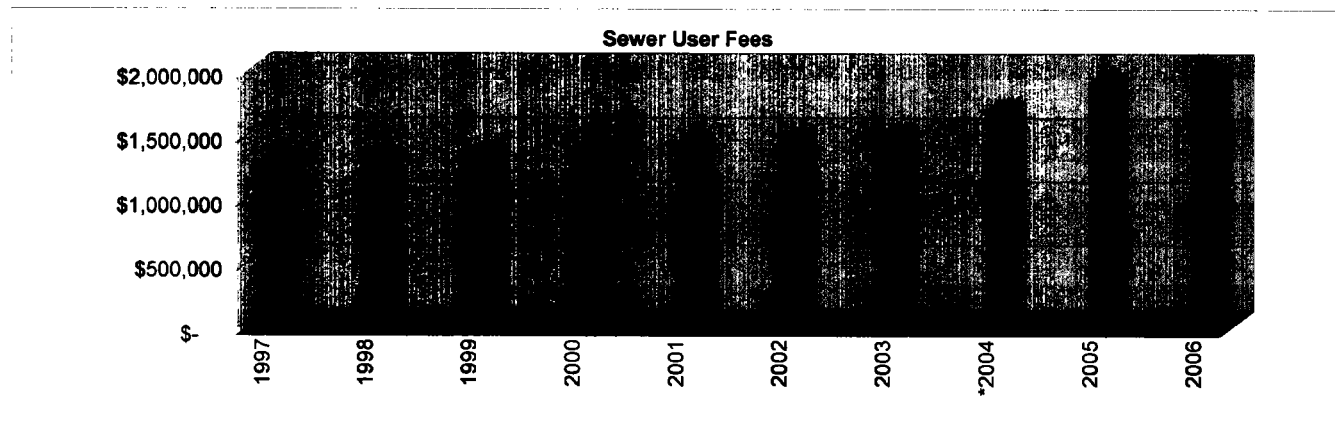
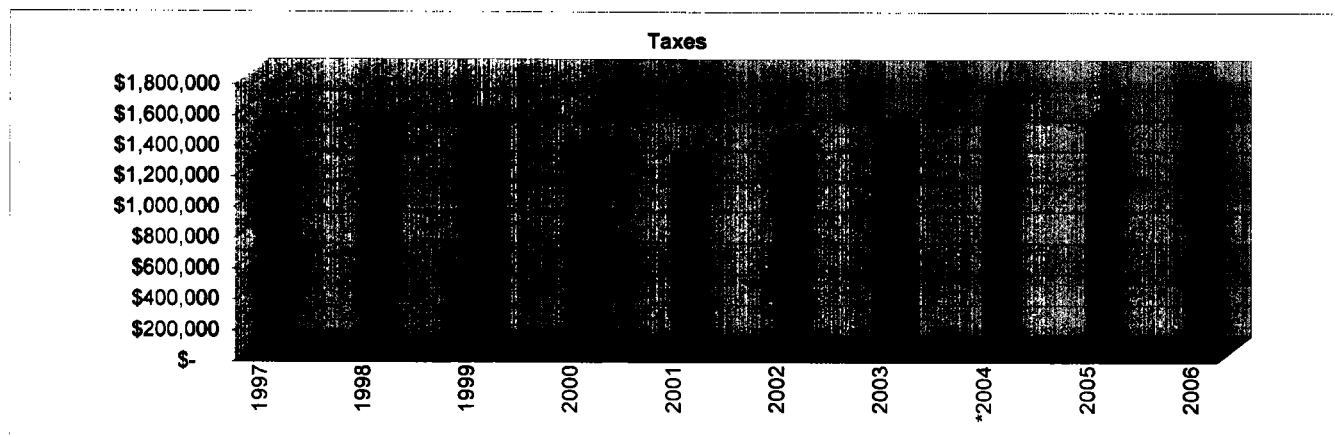
Revenues by Source Last Ten Fiscal Years



Bountiful City Sewer System was transferred to the District in 2004

SOUTH DAVIS SEWER DISTRICT

Revenues by Source Last Ten Fiscal Years



Note: Bountiful City Sewer System was transferred to the District in 2004

SOUTH DAVIS SEWER DISTRICT
Schedule of Taxable Valuation and Taxes Assessed and Collected
Last Ten Fiscal Years

Year	Taxable Valuation	District Tax Rate	Taxes Assessed	Current Year Taxes Collected	% of Current Year Taxes Collected
1997	\$ 2,759,597,715	0.000424	\$ 1,170,069	\$ 1,118,249	95.57%
1998	\$ 2,955,742,110	0.000415	\$ 1,226,633	\$ 1,175,295	95.81%
1999	\$ 3,078,873,577	0.000408	\$ 1,256,180	\$ 1,202,743	95.75%
2000	\$ 3,252,748,711	0.000393	\$ 1,278,330	\$ 1,249,960	97.78%
2001	\$ 3,653,745,623	0.000358	\$ 1,308,041	\$ 1,279,517	97.82%
2002	\$ 3,681,078,495	0.000361	\$ 1,328,869	\$ 1,287,850	96.91%
2003	\$ 3,777,136,105	0.000364	\$ 1,374,878	\$ 1,306,822	95.05%
2004	\$ 3,848,553,274	0.000366	\$ 1,408,570	\$ 1,324,056	94.00%
2005	\$ 4,043,721,008	0.000357	\$ 1,376,500	\$ 1,304,739	94.79%
2006	\$ 4,297,222,338	0.000341	\$ 1,465,052	\$ 1,397,374	95.38%
10 YR AVG.	\$ 3,534,841,896	0.000379	\$ 1,319,312	1,264,660.50	95.89%

Source: Davis County Treasurer

SOUTH DAVIS SEWER DISTRICT
User Property Tax Assessments
For The Period Ending December 31, 2006

User	Assessed Valuation	Property Tax
Chevron Products Company	\$ 89,092,791	\$ 30,380.64
Big West Oil, LLC	64,289,437	21,922.70
Lakeview Hospital	34,177,946	11,654.68
Holly Refining & Marketing Company	25,836,740	8,810.33
Zero Manufacturing, Inc.	9,797,623	3,340.99
Albertson's Distribution Center	6,120,015	2,086.93
Carr Printing	4,234,793	1,444.06
Aero Tech Manufacturing, Inc.	3,647,225	1,243.70
Stericycle, Inc.	3,510,833	1,197.19
Econova, Inc.	3,510,495	1,197.08
General Electric International, Inc.	3,490,453	1,190.24
Trinity Industries	3,478,095	1,186.03
Pioneer Pipe Line Company	3,426,980	1,168.60
Air Products Manufacturing Corporation	2,559,530	872.80
Silver Eagle Refining-Woods Cross Inc.	2,236,223	762.55
Staker Paving	2,048,000	698.37
Goulds Pumps, Inc.	1,553,152	529.62
Fox Valley Tanning, Inc.	1,503,857	512.82
Innovative Ingredients	1,366,070	465.83
Cowboy Asphalt Terminal, LLC (G Rem)	1,366,011	465.81
7-Eleven Inc.	1,234,000	420.79
Cowboy Asphalt Terminal, LLC (Storage Tank)	1,059,670	361.35
Quala Systems, Inc.	992,649	338.49
Advanced Metal Finishing, Inc.	887,479	302.63
Hi-Valley Chemical, Inc.	806,315	274.95
Quality Plating Co., Inc.	800,895	273.11
Chevron Pipe Line Company	788,020	268.71
Dale T Smith & Sons Meat Packing Company	724,034	246.90
Golden Eagle Refinery, Inc.	683,667	233.13
TDJ Finishing, LLC	601,283	205.04
Big West Oil Transportation	298,820	101.90
NSL Facilities LC	277,150	94.51
Streamline Supply, Inc.	59,734	20.37
Cowboy Asphalt Terminal, LLC (O&G Trap)	Greenbelt	-
IHC Central Laundry	Tax Exempt	-
Total	\$ 276,459,985	\$ 94,272.85

Source: Davis County Assessor's Office
South Davis Sewer District 2006 tax rate was .000341

South Davis Sewer District

User and Impact Fee Rates

Last Ten Fiscal Years

	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
1997	\$60.00	\$48.00	\$1,456.00
1998	\$60.00	\$48.00	\$1,456.00
1999	\$60.00	\$48.00	\$1,456.00
2000	\$60.00	\$48.00	\$1,456.00
2001	\$60.00	\$48.00	\$1,456.00
2002	\$60.00	\$48.00	\$1,456.00
2003	\$60.00	\$48.00	\$1,456.00
2004	\$60.00	\$48.00	\$1,456.00
2005	\$60.00	\$48.00	\$1,456.00
2006	\$60.00	\$48.00	\$1,456.00

Source: District Records

In 1997 the District did an analytical review on impact fee costs based upon changes

in the State Code, Sections 11-36-100 to 11-36-300. The impact fee changed from \$600 to \$1,456.

SOUTH DAVIS SEWER DISTRICT
Major Wastewater Contributors
For The Year Ending December 31, 2006

<u>Business</u>	<u>Wastewater Discharged (Gallons)</u>
DISTRICT	
Davis County Churches	38,096,000
Davis County Schools	20,375,000
Restaurants	43,674,000
Large Retail Stores	19,439,000
Car Wash/Service Stations/Dealers	26,206,000
Medical Centers/Retirement Homes	35,527,000
Hotels	25,189,000
Health Clubs/ Bountiful Rec. Center	8,756,000
Dry Cleaners/Laundry	4,042,000
BOUNTIFUL CITY	
Air Products Manufacturing Corp*	31,888,000
Lakeview Hospital *	31,638,000
South Davis Hospital	7,268,000
CENTERVILLE	
Biotron Laboratories	2,260,000
Conoco Phillips	4,272,000
NORTH SALT LAKE	
Advanced Drainage Systems	1,544,000
Aero Tech	2,602,000
Albertson's Distribution Center	13,148,000
Chevron Pipeline	716,000
Quala Systems	3,766,000
Goulds/Energy Machine	404,000
Zero Manufacturing Inc.*	209,998,000
Arnco	3,956,000
Big West Oil LLC	226,686,000
Big West Oil/ Flying J	13,858,000
Fox Valley Tanning	11,287,000
General Electric	5,883,000
Orbit Sprinklers	4,981,000
Stericycle Inc.	6,040,000
WEST BOUNTIFUL	
Holly Refinery*	312,579,000
WOODS CROSS	
Benchmark Hospital	6,944,000
F C Stangl II	3,665,000
IHC Laundry	28,963,000
Pipe Fab	2,044,000
Silver Eagle Refinery*	84,085,000
Cowboy Oil	7,960,000
Quality Plating	1,777,000

Source: South Davis County and city water usage records,
*EPA Categorical Industries

SOUTH DAVIS SEWER DISTRICT
Principle Rate Payers
For The Year Ending December 31, 2006

Account #	Organization	Type of Service	Annual User Fee Amount
03792	Big West Oil	Refinery	\$ 80,838
00200	Holly Refinery	Refinery	78,631
05020	Silver Eagle Oil	Refinery	45,790
04701	ARC-Camelot	Mobile Homes	18,192
07281	North Park Village	Apartments	11,880
08644	Zero Mfg	Manufacturing	11,122
15989	Foxboro Terrace Apts	Apartments	10,800
03747	Fox Valley Tanning	Industry	10,463
30873	Carriage Crossing	Condominiums	10,320
30899	Retirement Place Inc. (Heritage Place)	Assisted Living	8,880
05235	Pheasantbrook HOA	Condominiums	8,700
20865	Ridgewood Maple Hills	Condominiums	8,640

Source: District Accounts Receivable Records

**Utah Division of Water Quality
Sewer User Charge Survey
2004**

	Community or District	# of Residential	AGI	Property Tax	Annual Property	Monthly Flat Rate	Monthly Usage rate at	Monthly Charge	Total Annual	Total Monthly	Cost as % #	Hook-up Fees	Impact Fees	Resident Hook-up and
1	Castle Dale	525	\$ 32,400	\$ -	\$ -	\$ 4.50		\$ 4.50	\$ 54.00	\$ 4.50	0.17	\$ 700	\$ -	\$ 700
2	Cleveland Town	169	\$ 35,412	\$ -	\$ -	\$ 4.50		\$ 4.50	\$ 54.00	\$ 4.50	0.15	\$ 650	\$ -	\$ 650
3	Murray City	7,850	\$ 31,121	\$ -	\$ -	\$ 5.24		\$ 5.24	\$ 62.88	\$ 5.24	0.20	\$ 1,840	\$ 1,840	\$ 3,680
4	East Carbon City	615	\$ 20,037	\$ -	\$ -	\$ 5.50		\$ 5.50	\$ 66.00	\$ 5.50	0.33	\$ 750	\$ -	\$ 750
5	Ferron City	505	\$ 33,951	\$ -	\$ -	\$ 6.00		\$ 6.00	\$ 72.00	\$ 6.00	0.21	\$ 650	\$ -	\$ 650
6	Huntington Town	565	\$ 32,002	\$ -	\$ -	\$ 7.00		\$ 7.00	\$ 84.00	\$ 7.00	0.26	\$ 650	\$ -	\$ 650
7	South Davis Sewer District	23,863	\$ 38,094	0.000357	\$ 25.25	\$ 5.00		\$ 5.00	\$ 85.25	\$ 7.10	0.22	\$ -	\$ 1,456	\$ 1,456
8	Emery Town	132	\$ 31,159	\$ -	\$ -	\$ 7.19		\$ 7.19	\$ 86.28	\$ 7.19	0.28	\$ 850	\$ -	\$ 850
9	Nephi City Corp	1,583	\$ 31,899	\$ -	\$ -	\$ 7.25		\$ 7.25	\$ 87.00	\$ 7.25	0.27	\$ 1,000	\$ -	\$ 1,000
10	Salt Lake City SSD #1	28,055	\$ 28,271	0.000233	\$ 16.48	\$ 6.00		\$ 6.00	\$ 88.48	\$ 7.50	0.31	\$ 75	\$ 865	\$ 940
11	Bear River City	248	\$ 38,689	\$ -	\$ -	\$ 7.50		\$ 7.50	\$ 90.00	\$ 7.50	0.23	\$ 1,500	\$ 2,500	\$ 4,000
12	Elmo Town	129	\$ 33,905	\$ -	\$ -	\$ 8.00		\$ 8.00	\$ 96.00	\$ 8.00	0.28	\$ 550	\$ -	\$ 550
13	Orangville City	468	\$ 43,353	\$ -	\$ -	\$ 9.00		\$ 9.00	\$ 108.00	\$ 9.00	0.38	\$ 1,000	\$ -	\$ 1,000
14	Eureka Town	374	\$ 28,657	\$ -	\$ -	\$ 9.50		\$ 9.50	\$ 114.00	\$ 9.50	0.42	\$ -	\$ 500	\$ 500
15	Neola WSD	125	\$ 27,063	\$ -	\$ -	\$ 8.33		\$ 8.33	\$ 116.23	\$ 9.69	0.30	\$ -	\$ 3,223	\$ 3,223
16	Lake Point ID	262	\$ 38,457	0.00023	\$ 16.27	\$ 10.00		\$ 10.00	\$ 120.00	\$ 10.00	0.40	\$ 500	\$ 2,561	\$ 2,561
17	Altamont City	78	\$ 30,337	\$ -	\$ -	\$ 10.00		\$ 10.00	\$ 120.00	\$ 10.00	0.27	\$ -	\$ 400	\$ 400
18	London City	3,430	\$ 44,493	\$ -	\$ -	\$ 10.00		\$ 10.00	\$ 120.00	\$ 10.00	0.42	\$ -	\$ 3,731	\$ 3,731
19	Salt Lake City SSD #2	9,835	\$ 28,271	\$ -	\$ -	\$ 10.00		\$ 10.00	\$ 120.00	\$ 10.11	0.35	\$ 225	\$ 1,500	\$ 1,725
20	Twin Creeks SSD	135	\$ 32,726	\$ -	\$ -	\$ 5.80		\$ 5.80	\$ 121.37	\$ 10.50	0.28	\$ 100	\$ 562	\$ 662
21	North Davis County (unincorporated)	1,235	\$ 34,966	0.000732	\$ 51.77	\$ 7.11		\$ 7.11	\$ 125.98	\$ 10.50	0.35	\$ 100	\$ 2,450	\$ 2,550
22	Harrisville	1,180	\$ 45,545	0.000575	\$ 40.67	\$ 10.50		\$ 10.50	\$ 126.00	\$ 10.75	0.34	\$ 500	\$ 998	\$ 998
23	Midway SD	1,290	\$ 36,117	\$ -	\$ -	\$ 10.75		\$ 10.75	\$ 129.00	\$ 10.89	0.47	\$ 800	\$ 1,700	\$ 2,500
24	Spanish Fork City Corp	6,342	\$ 38,023	\$ -	\$ -	\$ 10.89		\$ 10.89	\$ 130.68	\$ 11.00	0.51	\$ 1,000	\$ 1,985	\$ 2,985
25	Midvale City Corp	1,977	\$ 27,672	\$ -	\$ -	\$ 11.00		\$ 11.00	\$ 132.00	\$ 11.14	0.40	\$ 150	\$ 300	\$ 450
26	Bear Lake SSD	1,420	\$ 25,714	\$ -	\$ -	\$ 11.00		\$ 11.00	\$ 132.00	\$ 11.50	0.51	\$ 904	\$ 1,000	\$ 1,904
27	Duchesne City Corp	507	\$ 27,029	\$ -	\$ -	\$ 7.75		\$ 7.75	\$ 133.67	\$ 11.50	0.48	\$ 500	\$ 1,795	\$ 1,795
28	Gunnison	601	\$ 30,189	0.000575	\$ 40.67	\$ 11.50		\$ 11.50	\$ 138.00	\$ 11.50	0.31	\$ 56	\$ 79	\$ 135
29	Rivertdale City	1,912	\$ 33,552	\$ -	\$ -	\$ 11.50		\$ 11.50	\$ 138.00	\$ 11.64	0.30	\$ 759	\$ 1,000	\$ 1,000
30	Kanab City Corp	779	\$ 26,890	\$ -	\$ -	\$ 11.50		\$ 11.50	\$ 138.00	\$ 11.75	0.74	\$ 1,000	\$ 350	\$ 350
31	Manila Town	437	\$ 28,772	\$ -	\$ -	\$ 11.50		\$ 11.50	\$ 138.00	\$ 12.11	0.48	\$ -	\$ 1,100	\$ 1,100
32	Perry City	1,040	\$ 45,087	\$ -	\$ -	\$ 11.50		\$ 11.50	\$ 138.00	\$ 12.27	0.25	\$ -	\$ 3,450	\$ 3,450
33	North Ogden City	4,876	\$ 45,892	0.000575	\$ 40.67	\$ 8.25		\$ 8.25	\$ 139.80	\$ 12.36	0.31	\$ 300	\$ 1,500	\$ 1,800
34	Wendover City	261	\$ 20,477	\$ -	\$ -	\$ 11.65		\$ 11.65	\$ 139.80	\$ 12.50	1.20	\$ 700	\$ -	\$ 700
35	Long Valley SID	369	\$ 19,112	\$ -	\$ -	\$ 11.75		\$ 11.75	\$ 141.00	\$ 12.75	0.44	\$ -	\$ 884	\$ 884
36	Fillmore City	890	\$ 28,551	\$ -	\$ -	\$ 12.00		\$ 12.00	\$ 144.00	\$ 12.81	0.36	\$ 225	\$ 1,500	\$ 1,725
37	Taylorsville-Bennion ID	15,747	\$ 30,094	0.000103	\$ 7.29	\$ 1.50	10.00	\$ 10.00	\$ 145.29	\$ 12.81	0.39	\$ 1,500	\$ 737	\$ 737
38	Mountain Green SID	381	\$ 59,011	0.0003	\$ 21.22	\$ 10.50		\$ 10.50	\$ 147.22	\$ 13.00	0.35	\$ 1,500	\$ 1,056	\$ 1,256
39	Syracuse City	3,149	\$ 48,134	0.000732	\$ 51.77	\$ 8.05		\$ 8.05	\$ 148.37	\$ 13.00	0.43	\$ 200	\$ -	\$ 200
40	San Juan SSD #1 (Mexican Hat)	5	\$ 12,535	\$ -	\$ -	\$ 12.50		\$ 12.50	\$ 150.00	\$ 13.00	0.61	\$ 1,200	\$ -	\$ 1,200
41	Springville City	6,886	\$ 34,599	\$ -	\$ -	\$ 12.75		\$ 12.75	\$ 153.00	\$ 13.00	0.43	\$ 200	\$ -	\$ 200
42	Clinton City	5,093	\$ 42,945	0.000732	\$ 51.77	\$ 8.50		\$ 8.50	\$ 153.77	\$ 13.00	0.35	\$ 1,500	\$ 737	\$ 737
43	North Logan City	1,719	\$ 40,498	\$ -	\$ -	\$ 13.00		\$ 13.00	\$ 156.00	\$ 13.00	0.43	\$ 200	\$ -	\$ 200
44	Plain City	1,081	\$ 44,925	\$ -	\$ -	\$ 13.00		\$ 13.00	\$ 156.00	\$ 13.00	0.43	\$ 200	\$ -	\$ 200
45	River Heights City	498	\$ 36,456	\$ -	\$ -	\$ 13.00		\$ 13.00	\$ 156.00	\$ 13.00	0.61	\$ 1,200	\$ -	\$ 1,200
46	Tropic Town	175	\$ 25,674	\$ -	\$ -	\$ 13.00		\$ 13.00	\$ 156.00	\$ 13.00	0.61	\$ 1,200	\$ -	\$ 1,200

	Community or District	# of Residential	AGI	Property Tax	Annual Property	Monthly Flat Rate	Monthly Usage rate at	Monthly Change	Total Annual	Total Monthly	Cost as % #	Hook-up Fees	Impact Fees	Resident Hook-up and
47	Sandy City	9,432	\$ 43,011	0.000739	\$ 52.27	\$ 9.00		\$9.00	\$ 160.27	\$ 13.36	0.37	\$	\$ 1,870	\$ 1,870
48	Blanding City	886	\$ 27,952		\$ -	\$ 13.50		\$13.50	\$ 162.00	\$ 13.50	0.58	\$ 250	\$ 250	\$ 500
49	Corinne City	165	\$ 31,311		\$ -	\$ 14.00		\$14.00	\$ 168.00	\$ 14.00	0.54	\$ 844	\$ 1,178	\$ 2,022
50	Delta City	952	\$ 29,643		\$ -	\$ 14.00		\$14.00	\$ 168.00	\$ 14.00	0.57	\$ 800	\$ 800	\$ 800
51	Talbena City	96	\$ 25,420		\$ -	\$ 14.00		\$14.00	\$ 168.00	\$ 14.00	0.66	\$ 500	\$ 500	\$ 1,000
52	Layton City	20,987	\$ 39,328	0.000732	\$ 51.77	\$ 9.75		\$9.75	\$ 168.77	\$ 14.06	0.43	\$ 750	\$ -	\$ 750
53	Mt. Pleasant	1,055	\$ 24,071		\$ -	\$ 8.50		\$8.50	\$ 169.20	\$ 14.10	0.70	\$ 1,277	\$ 1,272	\$ 2,549
54	Washington Terrace City	2,790	\$ 32,592	0.000575	\$ 40.67	\$ 12.67		\$12.67	\$ 169.67	\$ 14.14	0.52	\$ 15	\$ 300	\$ 315
55	Pleasant Grove City	5,688	\$ 37,034		\$ -	\$ 13.00		\$13.00	\$ 170.04	\$ 14.17	0.46	\$ 750	\$ 3,400	\$ 4,150
56	Washington City	2,863	\$ 27,554		\$ -	\$ 14.30		\$14.30	\$ 171.60	\$ 14.30	0.62	\$ 150	\$ 342	\$ 342
57	Ogden City	24,000	\$ 29,030	0.000575	\$ 40.67	\$ 11.05		\$11.05	\$ 173.21	\$ 14.43	0.60		\$ 2,573	\$ 2,573
58	Granger-Hunter ID	19,094	\$ 26,717	0.000269	\$ 19.03	\$ 13.00		\$13.00	\$ 175.03	\$ 14.59	0.66			
59	Logan City Corp	12,658	\$ 24,152		\$ -	\$ 14.75		\$14.75	\$ 177.00	\$ 14.75	0.73			
60	Cottonwood ID	23,476	\$ 46,772	0.000298	\$ 21.08	\$ 10.60		\$10.60	\$ 178.97	\$ 14.91	0.58	\$ 250	\$ 1,630	\$ 1,630
61	Sunset City	1,471	\$ 30,872	0.000732	\$ 51.77	\$ 15.00		\$15.00	\$ 180.00	\$ 15.00	0.67	\$ 1,200	\$ 1,500	\$ 1,750
62	Lewiston City	248	\$ 28,145		\$ -	\$ 15.00		\$15.00	\$ 180.00	\$ 15.00	0.63	\$ 30	\$ 2,624	\$ 2,654
63	Manti City	1,043	\$ 28,851		\$ -	\$ 15.00		\$15.00	\$ 180.00	\$ 15.00	0.66	\$ 600	\$ 575	\$ 575
64	Roosevelt City	1,266	\$ 28,437		\$ -	\$ 15.00		\$15.00	\$ 180.00	\$ 15.00	0.66	\$ 600	\$ 600	\$ 600
65	Stansbury Park	1,611	\$ 55,291		\$ -	\$ 15.00		\$15.00	\$ 180.00	\$ 15.00	0.41	\$ 175	\$ 2,590	\$ 2,765
66	Roy City	10,299	\$ 37,202	0.000732	\$ 51.77	\$ 10.75		\$10.75	\$ 180.77	\$ 15.06	0.49	\$ 75	\$ 1,320	\$ 1,395
67	Kearns ID	12,300	\$ 27,667	0.000183	\$ 12.94	\$ 14.00		\$14.00	\$ 180.94	\$ 15.08	0.65	\$ 112	\$ 1,543	\$ 1,655
68	West Jordan City	18,000	\$ 38,858		\$ -	\$ 13.08		\$13.08	\$ 180.96	\$ 15.08	0.47	\$ 1,683	\$ 1,269	\$ 2,952
69	South Ogden City	4,857	\$ 36,334	0.000575	\$ 40.67	\$ 2.62		\$12.07	\$ 185.51	\$ 15.46	0.51	\$ 131	\$ 9,915	\$ 10,046
70	Hanksville SSD	64	\$ 20,295		\$ -	\$ 15.50		\$15.50	\$ 186.00	\$ 15.50	0.92	\$ 900	\$ -	\$ 900
71	Provo City Corp	16,916	\$ 22,086		\$ -	\$ 4.26		\$15.96	\$ 191.52	\$ 15.96	0.87	\$ 800	\$ 575	\$ 575
72	Monticello City	559	\$ 29,183		\$ -	\$ 16.00		\$16.00	\$ 192.00	\$ 16.00	0.66	\$ 600	\$ 600	\$ 600
73	Payson City Corp	4,763	\$ 34,119		\$ -	\$ 16.00		\$16.00	\$ 192.00	\$ 16.00	0.41	\$ 550	\$ 300	\$ 850
74	Pleasant View City	1,280	\$ 48,486	0.000575	\$ 40.67	\$ 8.50		\$13.10	\$ 197.87	\$ 16.49	0.51	\$ 500	\$ 1,700	\$ 1,700
75	Magna	7,500	\$ 30,400	0.000355	\$ 25.11	\$ 14.57		\$14.57	\$ 199.95	\$ 16.66	0.66	\$ 112	\$ 1,543	\$ 1,655
76	Farr West City	957	\$ 41,173	0.000575	\$ 40.67	\$ 13.50		\$13.50	\$ 202.67	\$ 16.89	0.49	\$ 300	\$ 1,650	\$ 1,950
77	Lehi City	6,958	\$ 41,741		\$ -	\$ 9.00		\$17.00	\$ 204.00	\$ 17.00	0.86	\$ 2,500	\$ 2,940	\$ 5,880
78	Moreni City Corp	429	\$ 23,789		\$ -	\$ 17.00		\$17.00	\$ 204.00	\$ 17.00	0.86	\$ 2,500	\$ 2,940	\$ 5,880
79	Wellington City	595	\$ 29,792		\$ -	\$ 17.25		\$17.25	\$ 207.00	\$ 17.25	0.69	\$ 800	\$ -	\$ 800
80	St. George City	24,152	\$ 27,840		\$ -	\$ 17.28		\$17.28	\$ 207.36	\$ 17.28	0.74	\$ 800	\$ 1,160	\$ 1,160
81	Clearfield City	4,747	\$ 30,533	0.000732	\$ 51.77	\$ 13.20		\$13.20	\$ 210.17	\$ 17.51	0.69	\$ 500	\$ 1,973	\$ 2,473
82	Central Davis County (unincorporated)	9,110	\$ 47,474	0.000276	\$ 19.52	\$ 18.00		\$18.00	\$ 211.52	\$ 17.63	0.45	\$ 1,700	\$ 1,700	\$ 1,700
83	Ash Creek SSD	3,845	\$ 24,748		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	0.87	\$ 1,995	\$ 1,995	\$ 1,995
84	Ballard Town	105	\$ 30,611		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	0.71	\$ 1,200	\$ 1,200	\$ 1,200
85	Brian Head	98	\$ 29,246		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	0.74	\$ 55	\$ 312	\$ 367
86	Hyrum City Corp	193	\$ 34,453		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	0.63	\$ 500	\$ 500	\$ 500
87	Jordanville SSD	1	\$ 32,726		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	0.66	\$ 350	\$ 3,290	\$ 3,640
88	Kamas City	500	\$ 33,984		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	0.84	\$ 500	\$ 2,200	\$ 2,700
89	Myton City	194	\$ 19,465		\$ -	\$ 18.00		\$18.00	\$ 216.00	\$ 18.00	1.11	\$ 500	\$ 500	\$ 500
90	Salt Lake City Corporation	48,421	\$ 43,569		\$ -	\$ 4.86		\$18.06	\$ 216.72	\$ 18.06	0.50	\$ 25	\$ 25	\$ 25
91	South Valley Sewer District	39,107	\$ 28,271	0.00056	\$ 39.61	\$ 15.00		\$15.00	\$ 219.61	\$ 18.30	0.78	\$ 125	\$ 2,925	\$ 2,925
92	Alpine City	2,101	\$ 60,996		\$ -	\$ 8.40		\$16.40	\$ 220.80	\$ 18.40	0.36	\$ 600	\$ 3,240	\$ 3,840
93	Orem City	20,000	\$ 29,402		\$ -	\$ 7.16		\$16.48	\$ 221.52	\$ 18.48	0.75	\$ 600	\$ 600	\$ 1,200
94	Helper City	939	\$ 31,677		\$ -	\$ 18.50		\$18.50	\$ 222.00	\$ 18.50	0.70	\$ 250	\$ -	\$ 250
95	Scofield Town	1,100	\$ 28,965		\$ -	\$ 18.50		\$18.50	\$ 222.00	\$ 18.50	0.77	\$ 250	\$ 250	\$ 250
96	Moab	1,303	\$ 21,791		\$ -	\$ 8.65		\$18.65	\$ 223.80	\$ 18.65	1.03	\$ 670	\$ 2,819	\$ 3,489
97	Henefer Town	228	\$ 41,094		\$ -	\$ 18.75		\$18.75	\$ 225.00	\$ 18.75	0.55	\$ 800	\$ 800	\$ 800
98	Springdale Town	227	\$ 23,212		\$ -	\$ 11.00		\$18.80	\$ 225.60	\$ 18.80	0.97	\$ 120	\$ 1,505	\$ 1,625
99	Kaysville City	4,956	\$ 47,695	0.000276	\$ 19.52	\$ 17.25		\$17.25	\$ 226.52	\$ 18.88	0.47	\$ 700	\$ 1,700	\$ 2,000
100	Ashley Valley W&SID	1,598	\$ 28,285		\$ -	\$ 19.00		\$19.00	\$ 228.00	\$ 19.00	0.81	\$ 2,296	\$ 2,480	\$ 2,480
101	Highland Town	2,178	\$ 56,106		\$ -	\$ 19.32		\$19.32	\$ 231.84	\$ 19.32	0.41	\$ 2,296	\$ 2,480	\$ 2,480

Community or District	# of Residential	AGI	Property Tax	Annual Property	Monthly Flat Rate	Monthly Usage rate at	Monthly Charge	Total Annual	Total Monthly	Cost as %	Hook-up Fees	Impact Fees	Resident Hook-up and
102 Farmington City	3,458	\$ 50,645	0.000276	\$ 19.52	\$ 17.75		\$ 17.75	\$ 232.52	\$ 19.38	0.46	\$ 1,700	\$ 3,848	\$ 1,700
103 American Fork City	6,365	\$ 36,288		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.66	\$ 235	\$ 3,848	\$ 1,700
104 Centerfield City	352	\$ 27,121		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.88	\$ 1,000	\$ 2,300	\$ 3,300
105 Francis City Corp	287	\$ 32,302		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.74	\$ 50	\$ 2,519	\$ 2,569
106 Grantsville City	2,032	\$ 37,801		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.63	\$ 50	\$ 1,175	\$ 1,225
107 Hinckley Town	185	\$ 27,826		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.86	\$ 1,000	\$ 1,175	\$ 1,000
108 Spring City	360	\$ 26,923		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.89	\$ 1,900	\$ 1,350	\$ 1,900
109 Vernal City	2,007	\$ 33,354		\$ -	\$ 20.00		\$ 20.00	\$ 240.00	\$ 20.00	0.72	\$ 1,200	\$ 1,350	\$ 1,200
110 Redmond City	2,751	\$ 32,892		\$ -	\$ 12.00	\$ 8.25	\$ 20.25	\$ 243.00	\$ 20.25	0.74	\$ 1,200	\$ 1,700	\$ 1,200
111 Elk Ridge Town	488	\$ 55,710		\$ -	\$ 20.50		\$ 20.50	\$ 246.00	\$ 20.50	0.44	\$ 200	\$ 1,900	\$ 1,900
112 Heber City	2,860	\$ 34,610		\$ -	\$ 12.00	\$ 8.60	\$ 20.60	\$ 247.20	\$ 20.60	0.71	\$ 1,413	\$ 3,290	\$ 4,703
113 Price City	3,357	\$ 31,031		\$ -	\$ 21.00		\$ 21.00	\$ 252.00	\$ 21.00	0.81	\$ 400	\$ 725	\$ 1,125
114 Salem City Corp	1,338	\$ 39,091		\$ -	\$ 21.50		\$ 21.50	\$ 258.00	\$ 21.50	0.66	\$ 155	\$ 1,800	\$ 1,955
115 Smithfield City	2,242	\$ 36,865		\$ -	\$ 21.75		\$ 21.75	\$ 261.00	\$ 21.75	0.71	\$ 20	\$ 540	\$ 560
116 Morgan City Corp	957	\$ 41,947		\$ -	\$ 22.00		\$ 22.00	\$ 264.00	\$ 22.00	0.63	\$ 300	\$ 550	\$ 850
117 Parowan City Corp	1,169	\$ 23,621		\$ -	\$ 22.00		\$ 22.00	\$ 264.00	\$ 22.00	1.12	\$ 96	\$ 550	\$ 646
118 Richfield City	2,149	\$ 29,028		\$ -	\$ 22.00		\$ 22.00	\$ 264.00	\$ 22.00	0.91	\$ 1,278	\$ 2,000	\$ 2,000
119 Richmond City	625	\$ 33,489		\$ -	\$ 22.00		\$ 22.00	\$ 264.00	\$ 22.00	0.79	\$ 100	\$ 554	\$ 1,832
120 Tremonton City Corp	1,770	\$ 35,553		\$ -	\$ 22.05		\$ 22.05	\$ 264.60	\$ 22.05	0.74	\$ 100	\$ 1,318	\$ 1,418
121 Santaquin City	1,893	\$ 35,995		\$ -	\$ 15.20	\$ 7.00	\$ 22.20	\$ 266.40	\$ 22.20	0.74	\$ 250	\$ 2,300	\$ 2,550
122 Green River City	387	\$ 19,803		\$ -	\$ 22.20		\$ 22.20	\$ 266.40	\$ 22.20	1.35	\$ 1,173	\$ 2,540	\$ 2,540
123 South Weber	1,343	\$ 55,101		\$ 40.67	\$ 19.00		\$ 19.00	\$ 268.67	\$ 22.39	0.49	\$ 1,173	\$ 300	\$ 1,473
124 Spanish Valley WSID	1,385	\$ 20,264	0.000575	\$ -	\$ 22.66		\$ 22.66	\$ 271.92	\$ 22.66	1.34	\$ 1,100	\$ 1,655	\$ 2,755
125 Cedar City Corp	4,629	\$ 25,611		\$ -	\$ 23.00		\$ 23.00	\$ 276.00	\$ 23.00	1.08	\$ 546	\$ 546	\$ 1,092
126 Ivins Town	2,144	\$ 34,579		\$ -	\$ 23.00		\$ 23.00	\$ 276.00	\$ 23.00	0.80	\$ 500	\$ 900	\$ 1,400
127 Panguitch	613	\$ 22,588		\$ -	\$ 23.00		\$ 23.00	\$ 276.00	\$ 23.00	1.22	\$ 400	\$ 400	\$ 400
128 Garland City	589	\$ 35,066		\$ -	\$ 23.30		\$ 23.30	\$ 279.60	\$ 23.30	0.80	\$ 960	\$ 720	\$ 1,680
129 Aurora	329	\$ 33,082		\$ -	\$ 23.50	\$ 6.00	\$ 23.50	\$ 282.00	\$ 23.50	0.85	\$ 175	\$ 1,000	\$ 1,175
130 Salina City	840	\$ 27,522		\$ -	\$ 18.00		\$ 18.00	\$ 288.00	\$ 24.00	1.05	\$ 650	\$ 1,800	\$ 2,450
131 Enoch City	1,153	\$ 33,753		\$ -	\$ 24.00		\$ 24.00	\$ 288.00	\$ 24.00	0.85	\$ 650	\$ 1,800	\$ 2,450
132 Sunnyside	1,711	\$ 19,237		\$ -	\$ 24.35		\$ 24.35	\$ 292.20	\$ 24.35	1.50	\$ 153	\$ 153	\$ 153
133 Santa Clara City	1,820	\$ 38,733		\$ -	\$ 24.50		\$ 24.50	\$ 294.00	\$ 24.50	0.94	\$ 450	\$ 2,500	\$ 2,950
134 Enterprise City	430	\$ 31,127		\$ -	\$ 24.50		\$ 24.50	\$ 294.00	\$ 24.50	0.55	\$ 500	\$ 1,726	\$ 2,226
135 Fruit Heights City	1,319	\$ 53,768		\$ 19.52	\$ 23.00		\$ 23.00	\$ 295.52	\$ 24.63	0.90	\$ 320	\$ 841	\$ 1,161
136 Brigham City Corp	5,400	\$ 33,262	0.000276	\$ -	\$ 25.00		\$ 25.00	\$ 300.00	\$ 25.00	1.14	\$ 990	\$ 1,772	\$ 2,762
137 Fountain Green	340	\$ 26,363		\$ -	\$ 25.00		\$ 25.00	\$ 300.00	\$ 25.00	0.68	\$ 1,711	\$ 1,711	\$ 3,422
138 Hyde Park City	848	\$ 43,844		\$ -	\$ 25.00		\$ 25.00	\$ 300.00	\$ 25.00	1.02	\$ 25	\$ 598	\$ 623
139 Milford City	538	\$ 29,450		\$ -	\$ 25.00		\$ 25.00	\$ 300.00	\$ 25.00	0.65	\$ 35	\$ 2,819	\$ 2,854
140 West Point City	2,049	\$ 47,875	0.000732	\$ 51.77	\$ 11.50	\$ 10.00	\$ 21.50	\$ 309.77	\$ 25.81	0.52	\$ 150	\$ 1,500	\$ 1,500
141 Cedar Hills Town	1,196	\$ 60,091		\$ -	\$ 8.44	\$ 17.50	\$ 25.94	\$ 311.28	\$ 25.94	1.17	\$ 170	\$ 13,933	\$ 13,933
142 Beaver City Corp	975	\$ 26,715		\$ -	\$ 16.00	\$ 10.00	\$ 26.00	\$ 312.00	\$ 26.00	0.86	\$ 100	\$ 1,515	\$ 1,685
143 Tooele City Corp	8,038	\$ 36,851		\$ -	\$ 7.00	\$ 19.33	\$ 26.33	\$ 316.00	\$ 26.33	1.10	\$ 100	\$ 1,000	\$ 1,100
144 Escalante City	376	\$ 29,401		\$ -	\$ 27.00		\$ 27.00	\$ 324.00	\$ 27.00	2.32	\$ 150	\$ 1,150	\$ 1,150
145 Hildale Town	685	\$ 13,962		\$ -	\$ 27.00		\$ 27.00	\$ 324.00	\$ 27.00	1.40	\$ 75	\$ 1,107	\$ 1,182
146 Ephraim City	1,658	\$ 24,025		\$ -	\$ 18.00	\$ 10.00	\$ 28.00	\$ 336.00	\$ 28.00	0.94	\$ 1,500	\$ 2,206	\$ 3,706
147 Coalville City Corp	450	\$ 35,913		\$ -	\$ 28.00		\$ 28.00	\$ 336.00	\$ 28.00	0.94	\$ 400	\$ 586	\$ 986
148 Wellsville City Corp	798	\$ 36,447		\$ -	\$ 20.50	\$ 8.20	\$ 28.70	\$ 344.40	\$ 28.70	1.16	\$ 429	\$ 429	\$ 429
149 Minersville City	273	\$ 30,047		\$ -	\$ 29.00		\$ 29.00	\$ 348.00	\$ 29.00	0.57	\$ 100	\$ 1,718	\$ 1,818
150 Snyderville Basin SID	16,410	\$ 61,956		\$ -	\$ 17.00	\$ 12.50	\$ 29.50	\$ 354.00	\$ 29.50	1.18	\$ 32	\$ 1,000	\$ 1,032
151 Uintah Highlands ID	774	\$ 30,861	0.000575	\$ 40.67	\$ 27.00		\$ 27.00	\$ 364.67	\$ 30.39	1.31	\$ 375	\$ 1,500	\$ 1,875
152 Maeser W&SID	719	\$ 28,409		\$ -	\$ 26.00	\$ 5.00	\$ 31.00	\$ 372.00	\$ 31.00	0.89	\$ 150	\$ 1,499	\$ 1,649
153 Mantua Town	205	\$ 41,916		\$ -	\$ 31.00		\$ 31.00	\$ 372.00	\$ 31.00	0.95	\$ -	\$ 2,263	\$ 2,263
154 Mapleton	1,345	\$ 41,455		\$ -	\$ 32.96		\$ 32.96	\$ 395.52	\$ 32.96	1.68	\$ 3,500	\$ 3,500	\$ 3,500
155 Solitude ID	1,175	\$ 25,000		\$ -	\$ 35.00		\$ 35.00	\$ 420.00	\$ 35.00	2.03	\$ 450	\$ 450	\$ 450
156 South Salt Lake City Corp	2,600	\$ 21,442		\$ -	\$ 3.30	\$ 33.00	\$ 36.30	\$ 435.60	\$ 36.30	2.03	\$ 450	\$ 450	\$ 450

Community or District	# of Residential	AGI	Property Tax	Annual Property	Monthly Flat Rate	Monthly Usage rate at	Monthly Charge	Total Annual	Total Monthly	Cost as % #	Hook-up Fees	Impact Fees	Resident Hook-up and
152 Measer W&SD	719	\$ 28,409	\$ -	\$ -	\$ 28.00	\$ 5.00	\$31.00	\$ 372.00	\$ 31.00	1.31	\$ 375	\$ 1,500	\$ 1,875
153 Mantua Town	205	\$ 41,916	\$ -	\$ -	\$ 31.00		\$31.00	\$ 372.00	\$ 31.00	0.89	\$ 150	\$ 1,499	\$ 1,649
154 Mapleton	1,345	\$ 41,455	\$ -	\$ -	\$ 32.96		\$32.96	\$ 395.52	\$ 32.96	0.95	\$ -	\$ 2,263	\$ 2,263
155 Solitude ID	1,175	\$ 25,000	\$ -	\$ -	\$ 35.00		\$35.00	\$ 420.00	\$ 35.00	1.68	\$ 3,500		\$ 3,500
156 South Salt Lake City Corp	2,800	\$ 21,442	\$ -	\$ -	\$ 3.30	\$ 33.00	\$38.30	\$ 435.60	\$ 36.30	2.03	\$ 450		\$ 450
157 Oakley Town	215	\$ 42,444	\$ -	\$ -	\$ 36.50	10000 gallons	\$36.50	\$ 438.00	\$ 36.50	1.03		\$ 3,000	\$ 3,000
	Connections	Not updated	Rate	Tax				Cost	Cost	MAGI			Impact Fees
		Average AGI			\$ 33,590.33								
		Median AGI			\$ 32,151.75								
		# of Communities			\$ 159.00								
		# of Connections			\$618,670.00								
		Weighted Average			\$ 15.60								
		Weighted MAGI Average			0.58%								
		Community Average			\$ 17.15								
		Community MAGI Average			0.64%								
		Impact and Hook-up Fee Average			\$ 1,755.42								

Source: State of Utah, Division of Water Quality

The District has not had a rate increase since 1988

SOUTH DAVIS SEWER DISTRICT

Revenue Bond Coverage

Last Ten Fiscal Years

Year	1989 Bond (3% Interest)	1990 Bond (5% Interest)	1992 Bond (4% Interest)	2003 Refunding Bond (2.75% Interest)	Total Bonds
1997	\$ 3,011,000	\$ 2,973,000	\$ 3,761,000		\$ 9,745,000
1998	\$ 2,799,000	\$ 2,760,000	\$ 3,565,000		\$ 9,124,000
1999	\$ 2,574,000	\$ 2,537,000	\$ 3,361,000		\$ 8,472,000
2000	\$ 2,355,000	\$ 2,302,000	\$ 3,149,000		\$ 7,806,000
2001	\$ 2,123,000	\$ 2,056,000	\$ 2,928,000		\$ 7,107,000
2002	\$ 1,884,000	\$ -	\$ 2,698,000		\$ 4,582,000
2003	\$ -	\$ -	\$ -	\$ 3,635,000	\$ 3,635,000
2004	\$ -	\$ -	\$ -	\$ 2,845,000	\$ 2,845,000
2005	\$ -	\$ -	\$ -	\$ 2,020,000	\$ 2,020,000
2006	\$ -	\$ -	\$ -	\$ 1,170,000	\$ 1,170,000

1989 & 1992 Revenue Bonds were refunded in 2003

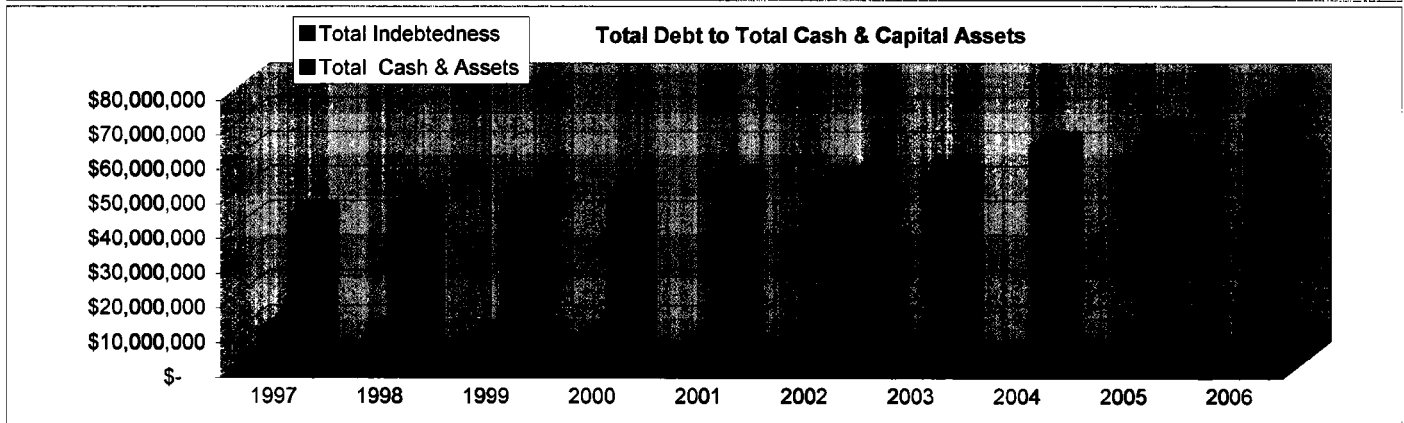
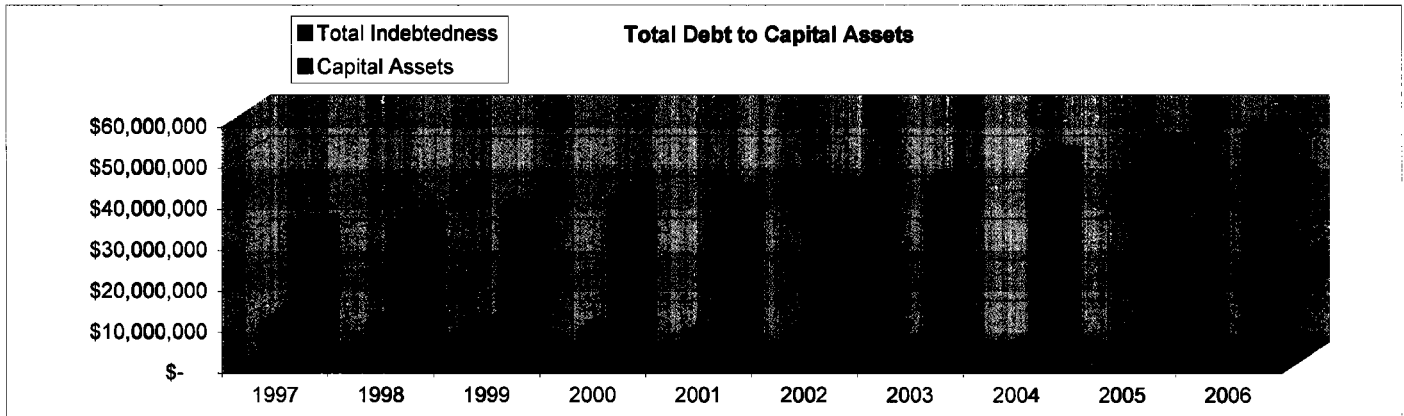
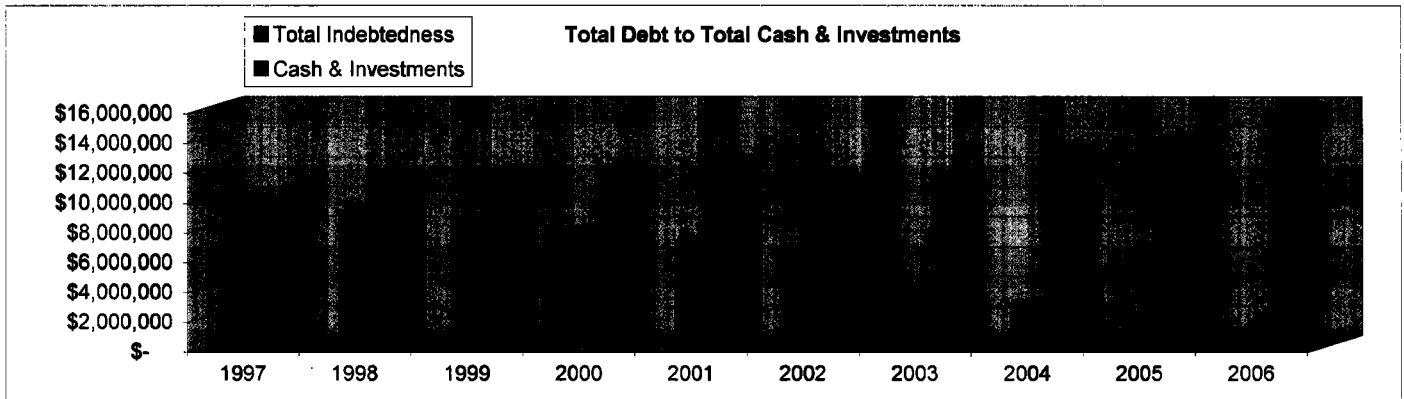
2003 Refunding Revenue Bond matures 12/15/08. See MD&A for a detailed schedule

Source: Zions Bank Trust Department and District Accounting Records.

SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios Last Ten Fiscal Years

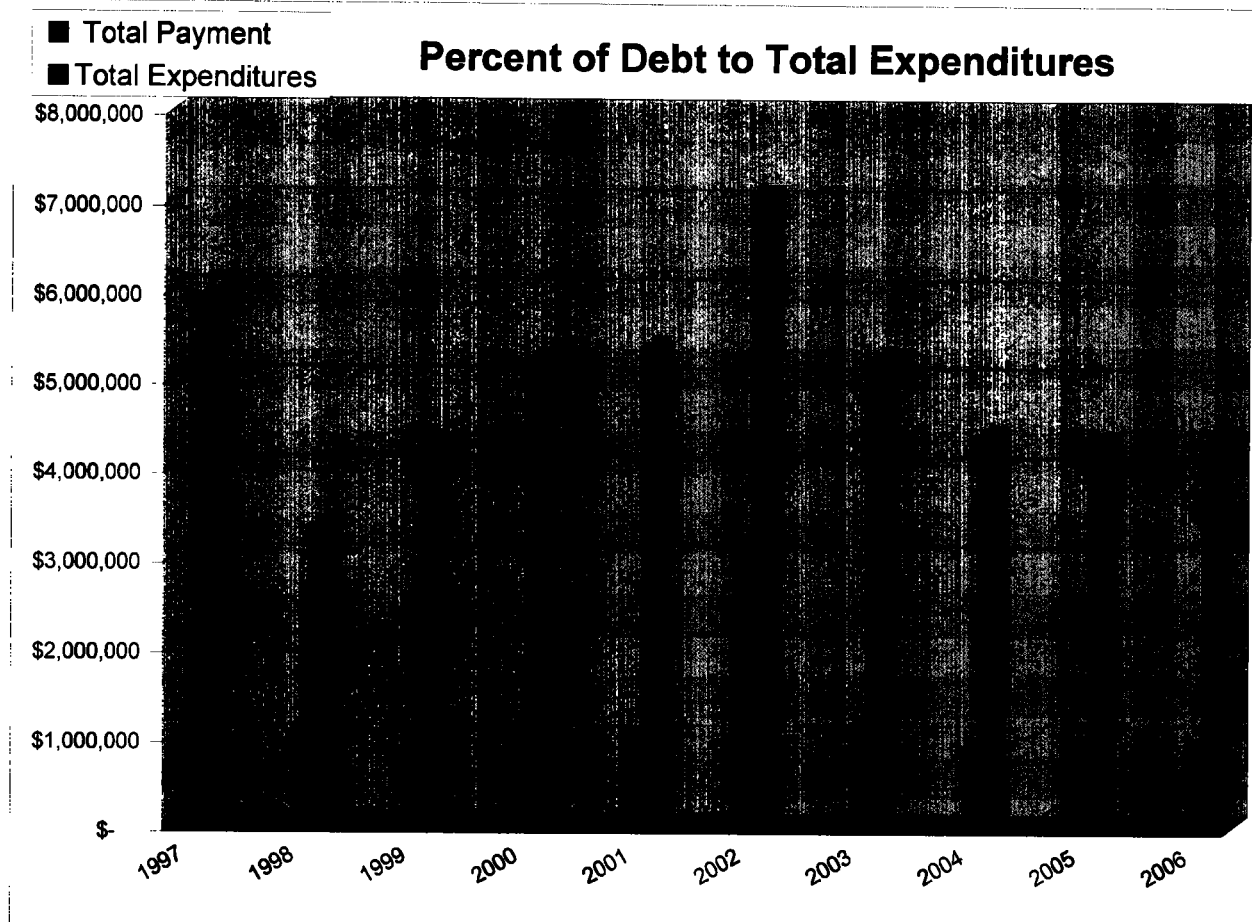
Year	Total Indebtedness	Cash & Investments	% of Debt : Cash	Total Capital Assets	% of Debt : Asset	Total Cash & Assets	% of Debt to Cash & Assets
1997	\$ 9,745,000	\$ 9,917,715	98.26%	\$ 33,209,030	29.34%	\$ 43,126,745	22.60%
1998	\$ 9,124,000	\$ 11,148,871	81.84%	\$ 34,813,912	26.21%	\$ 45,962,783	19.85%
1999	\$ 8,478,000	\$ 11,829,207	71.67%	\$ 36,905,596	22.97%	\$ 48,734,803	17.40%
2000	\$ 7,806,000	\$ 11,983,431	65.14%	\$ 38,243,829	20.41%	\$ 50,227,260	15.54%
2001	\$ 7,107,000	\$ 12,526,678	56.73%	\$ 40,703,423	17.46%	\$ 53,230,101	13.35%
2002	\$ 4,582,000	\$ 11,155,533	41.07%	\$ 41,572,665	11.02%	\$ 52,728,198	8.69%
2003	\$ 3,635,000	\$ 11,429,544	31.80%	\$ 43,290,585	8.40%	\$ 54,720,129	6.64%
2004	\$ 2,845,000	\$ 13,390,570	21.25%	\$ 49,408,751	5.76%	\$ 62,799,321	4.53%
2005	\$ 2,020,000	\$ 14,234,036	14.19%	\$ 52,526,840	3.85%	\$ 66,760,876	3.03%
2006	\$ 1,170,000	\$ 15,627,614	7.49%	\$ 55,405,968	2.11%	\$ 71,033,582	1.65%



Source: District accounting records

SOUTH DAVIS SEWER DISTRICT
Percent of Debt Service to Total Expenditures
Last Ten Fiscal Years

Year	Debt Service	Total Expenditures	% of Debt Service to Expenditures
1997	\$ 1,025,227	\$ 5,903,459	17.37%
1998	\$ 1,025,250	\$ 3,326,520	30.82%
1999	\$ 1,027,930	\$ 4,327,998	23.75%
2000	\$ 1,025,010	\$ 5,192,973	19.74%
2001	\$ 1,027,000	\$ 5,372,897	19.11%
2002	\$ 2,991,100	\$ 7,111,782	42.06%
2003	\$ 1,064,280	\$ 5,203,707	20.45%
2004	\$ 908,747	\$ 4,405,784	20.63%
2005	\$ 899,800	\$ 4,321,716	20.82%
2006	\$ 904,175	\$ 4,446,693	20.33%



Source: District accounting records

SOUTH DAVIS SEWER DISTRICT
Davis County Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Births</u>	<u>Deaths</u>	<u>Per Capita Income</u>	<u>Non-Agricultural Avg Monthly Wage</u>	<u>Annualized % Unemployment Rate</u>	<u>Total Public School Enrollment</u>
1997	223,319	2,635	809	\$21,599	\$2,002	2.90%	58,835
1998	230,000	2,647	866	\$22,650	\$2,086	3.50%	58,767
1999	237,000	2,755	910	\$23,405	\$2,154	3.50%	58,562
2000	238,994	2,781	943	\$25,064	\$2,290	3.00%	58,867
2001	244,000	2,967	963	\$25,430	\$2,415	3.90%	58,754
2002	248,000	2,840	1,038	\$25,947	\$2,497	5.20%	58,900
2003	256,000	2,890	1,072	\$26,943	\$2,584	5.20%	60,025
2004	269,000	2,974	1,666	\$27,525	\$2,650	4.40%	60,614
2005	281,000	3,002	1,084	\$28,081	\$2,731	4.00%	62,349
2006	283,000	3,139	1,096	\$28,738	\$2,754	3.10%	62,900

Sources: Davis County Department of Community & Economic Development
Davis County Health Department - Vital Statistics
U.S Bureau of Economic Analysis
Utah Department of Workforce Services - Labor Information Division
Davis County School District

SOUTH DAVIS SEWER DISTRICT
Davis County Vitals, Population, & Climate Statistics

Vitals

2006 Population	283,000
Cities	15
Largest City	Layton
County Seat	Farmington
2004 Job Growth Rate	4.9%
2002 Avg. Monthly Wage	\$2,585
Median Age	24 Years
Median Home Price	\$160,000
Employment Offered in Davis Co.	93,750
Employment Base	125.100

Principle Employers

Hill Air Force Base	10,000-23000
Davis County School District	5,000-9,900
Lifetime Products	1,000-2,000
Lagoon Inc.	1,000-2,000
Utility Trailer & Manufacturing	1,000-2,000
Associates Commerce Solutions	500-1,000
Smith's Distribution	500-1,000
Davis Hospital & Medical Center	500-1,000
Lakeview Hospital	500-1,000
Icon Health & Fitness	500-1,000
IES LLC	500-1,000
Management & Training Corp	500-1,000
South Davis Community Hospital	500-1,000
TRW Sig	500-1,000
Albertson's	500-700
Amusement Services	500-700
Pioneer Adult Rehabilitation	500-700
Associates Commerce Solutions	500-700

Population

Davis County's population increases 2% each year. The County has the smallest land mass of any county in the state at 268 square miles, and yet is the third most populated.

- There are roughly 933 people per square mile in Davis County
- 7.3% of the Davis County population belong to an ethnic or minority group
- 40% of the population are under the age of 17
- The median age is 24 years

Population growth estimates for Davis County:

2006	275,000
2010	310,000
2020	380,000

Climate

Average low winter temperatures:	20.6 degrees
Average high summer temperatures:	92.8 degrees
Precipitation:	18.71 inches

Davis County enjoys four distinct seasons.

*Source: Davis County Government, Davis County School District

SOUTH DAVIS SEWER DISTRICT
Public Water Systems Serving Davis County
For The Year Ending December 31, 2006

Water System Name	Population Served	Annual Deliveries (acre-feet)	Sources of Cullinary Water
Weber Basin Water Conservancy - South	78,100	27,000	Weber River (85%) Wells (15%)
Layton Water System	65,000	11,200	WBWCD (55%) Wells (45%)
Bountiful City	37,500	5,300	Wells (75%) Local Streams (15%) WBWCD (10%) South Davis WD (10%)
Clearfield City	26,640	5,300	WBWCD (75%) Wells (25%)
Hill Air Force Base	22,082	3,100	Wells (70%) WBWCD (30%)
Kaysville City	20,000	2,200	WBWCD (100%)
Centerville City	14,500	1,600	Wells (75%) WBWCD (25%)
Clinton City	13,923	1,300	WBWCD (100%)
Farmington City	12,800	1,500	Wells (75%) WBWCD (25%)
South Davis Water District	9,277	1,000	Wells, Springs (65%) WBWCD (35%)
West Point Water System	7,000	500	WBWCD (75%) Wells (25%)
North Salt Lake	6,474	3,400	Wells (65%) WBWCD (35%)
Woods Cross Water System	6,400	1,100	Wells (90%) WBWCD (10%)
Sunset Water System	5,800	1,200	WBWCD (100%)
South Weber Water System	5,200	660	WBWCD (70%) Wells (30%)
West Bountiful Water System	5,175	680	WBWCD (70%) Wells (30%)
Fruit Heights	5,000	480	WBWCD (90%) Wells (10%)
Syracuse Water System	3,575	900	WBWCD (100%)
Mutton Hollow Improvement District	560	200	WBWCD (100%)

Note: WBWCD: Weber Basin Water Conservancy District; WD: South Davis Water District.

Sources: Environmental Protection Agency, Utah Division of Water Rights, Utah Department of Natural Resources

SOUTH DAVIS SEWER DISTRICT
2006 Davis County Tax Factors

1	Davis County Mosquito Abatement	0.000086
2	Davis County 2006 Jail Bond	0.000108
3	Bountiful Water	0.000139
4	Davis County Assess & Collect	0.000139
5	Utah Assess & Collect	0.000139
6	Weber Basin Water	0.000178
7	Central Davis Sewer District	0.000234
8	South Davis Water District	0.000298
9	South Davis Sewer District	0.000341
10	Davis County Library	0.000403
11	South Davis Recreation Center	0.000441
12	Benchland Water District	0.000450
13	Hooper Water Improvement	0.000474
14	Central Weber Sewer District	0.000573
15	North Davis Sewer District	0.000763
16	Woods Cross City	0.000880
17	West Point City	0.000909
18	Special Service Area	0.000940
19	Kaysville City	0.001004
20	Syracuse City	0.001043
21	Sunset City	0.001108
22	Bountiful City	0.001119
23	South Weber City	0.001126
24	Centerville City	0.001349
25	North Davis Fire District	0.001400
26	Davis County	0.001424
27	West Bountiful City	0.001500
28	Utah Statewide School Rate	0.001515
29	North Salt Lake City	0.001546
30	Clearfield City	0.001580
31	Clinton City	0.001955
32	Fruit Heights City	0.001980
33	Layton City	0.002092
34	Farmington City	0.002149
35	Davis County School District	0.005790

Source: Davis County Treasurer's Office

SOUTH DAVIS SEWER DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

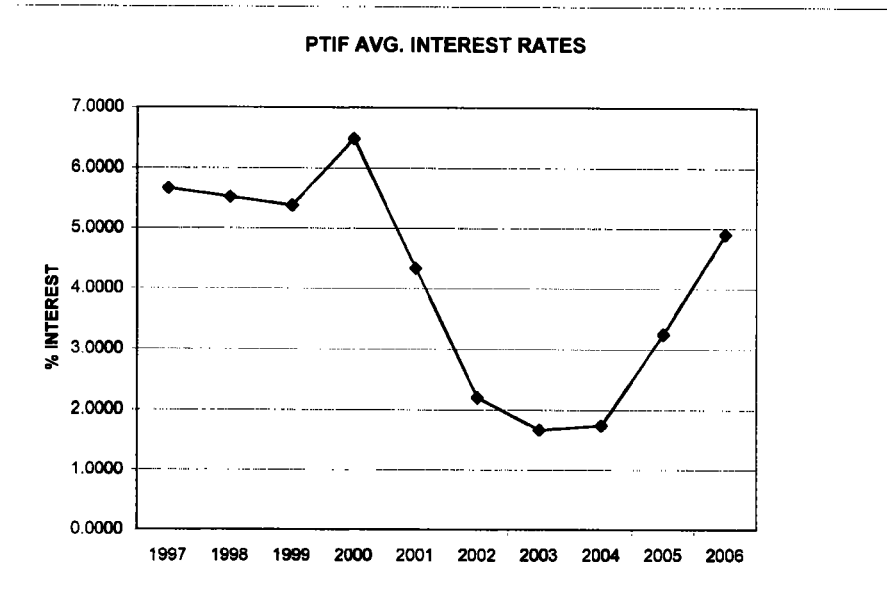
Fiscal Year	South Davis Sewer District	Bountiful		Centerville		West Bountiful		Woods Cross City		North Salt Lake City		Davis County		Weber Basin Water		South Davis Water		Bountiful Water		Mosquito Abatement		South Davis Recreation District		Total
		City	City	City	City	City	City	City	City	City	City	County	County	Water	Water	Water	Water	Water	Water	Abatement	Abatement	District	District	
1997	0.000424	0.001318	0.001567	0.001357	0.001061	0.001903	0.010252	0.000298	0.000145	0.000336	0.000126	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.000123	0.018910
1998	0.000415	0.001260	0.001579	0.001312	0.000994	0.001841	0.009226	0.000292	0.000139	0.000323	0.000123	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.000120	0.017624
1999	0.000408	0.001270	0.001577	0.001278	0.001001	0.001773	0.009139	0.000285	0.000139	0.000332	0.000122	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.000064	0.017388
2000	0.000393	0.001409	0.001477	0.001229	0.000944	0.001715	0.009223	0.000435	0.000200	0.000320	0.000118	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.000062	0.017525
2001	0.000358	0.001195	0.001464	0.001259	0.000968	0.001637	0.009264	0.000431	0.000193	0.000317	0.000143	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.017290
2002	0.000361	0.001216	0.001466	0.001301	0.000945	0.001613	0.009260	0.000431	0.000193	0.000322	0.000150	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.000061	0.017319
2003	0.000364	0.001223	0.001470	0.001372	0.000966	0.001627	0.009685	0.000434	0.000196	0.000318	0.000152	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.000094	0.017901
2004	0.000366	0.001231	0.001459	0.001475	0.000949	0.001652	0.009769	0.000432	0.000198	0.000318	0.000153	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.000093	0.018095
2005	0.000357	0.001194	0.001436	0.001482	0.000923	0.001645	0.009605	0.000426	0.000193	0.000316	0.000147	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.000091	0.018351
2006	0.000341	0.001119	0.001349	0.001500	0.000880	0.001546	0.009044	0.000403	0.000178	0.000298	0.000139	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.000086	0.017324

Source: District Accounting Records and Davis County Treasurer's Office

South Davis Recreation District was created in 2005
Davis County includes Davis County School District

SOUTH DAVIS SEWER DISTRICT
Public Treasurer Investment Fund Historical Interest Rates
Last Ten Fiscal Years

Jan	5.5304	5.6271	5.1311	6.0622	6.2131	2.3137	1.9811	1.5015	2.4147	4.2616
Feb	5.5311	5.6333	5.0944	6.1132	5.7441	2.2158	1.8501	1.4919	2.5621	4.4190
Mar	5.5531	5.6377	5.0930	6.1601	5.4861	2.2301	1.8150	1.4708	2.7275	4.5551
Apr	5.6796	5.6358	5.0744	6.2573	5.0621	2.2447	1.7502	1.4233	2.8961	4.7734
May	5.7007	5.6301	5.0833	6.4215	4.7159	2.2501	1.7460	1.4544	3.0110	4.8567
Jun	5.7894	5.6918	5.1709	6.6111	4.4193	2.2610	1.6546	1.5245	3.1816	5.0079
Jul	5.7002	5.6133	5.2337	6.7021	4.0985	2.2332	1.5678	1.7032	3.2684	5.0921
Aug	5.7679	5.5525	5.3724	6.7073	3.9318	2.1897	1.5316	1.8114	3.4505	5.1723
Sep	5.6820	5.4557	5.5030	6.7091	3.6551	2.1550	1.5264	1.9166	3.6000	5.1827
Oct	5.6914	5.3631	5.7795	6.8032	3.2434	2.1724	1.5251	2.0555	3.8029	5.2072
Nov	5.7056	5.2600	6.0873	6.6703	3.0711	2.1583	1.5100	2.2321	4.0118	5.2083
Dec	5.6979	5.1855	6.0253	6.6614	2.5170	2.0276	1.5251	2.3126	4.1486	5.2160
Avg	5.5991	5.5232	5.3874	6.4889	4.3455	2.2043	1.6553	1.7415	3.2561	4.9127



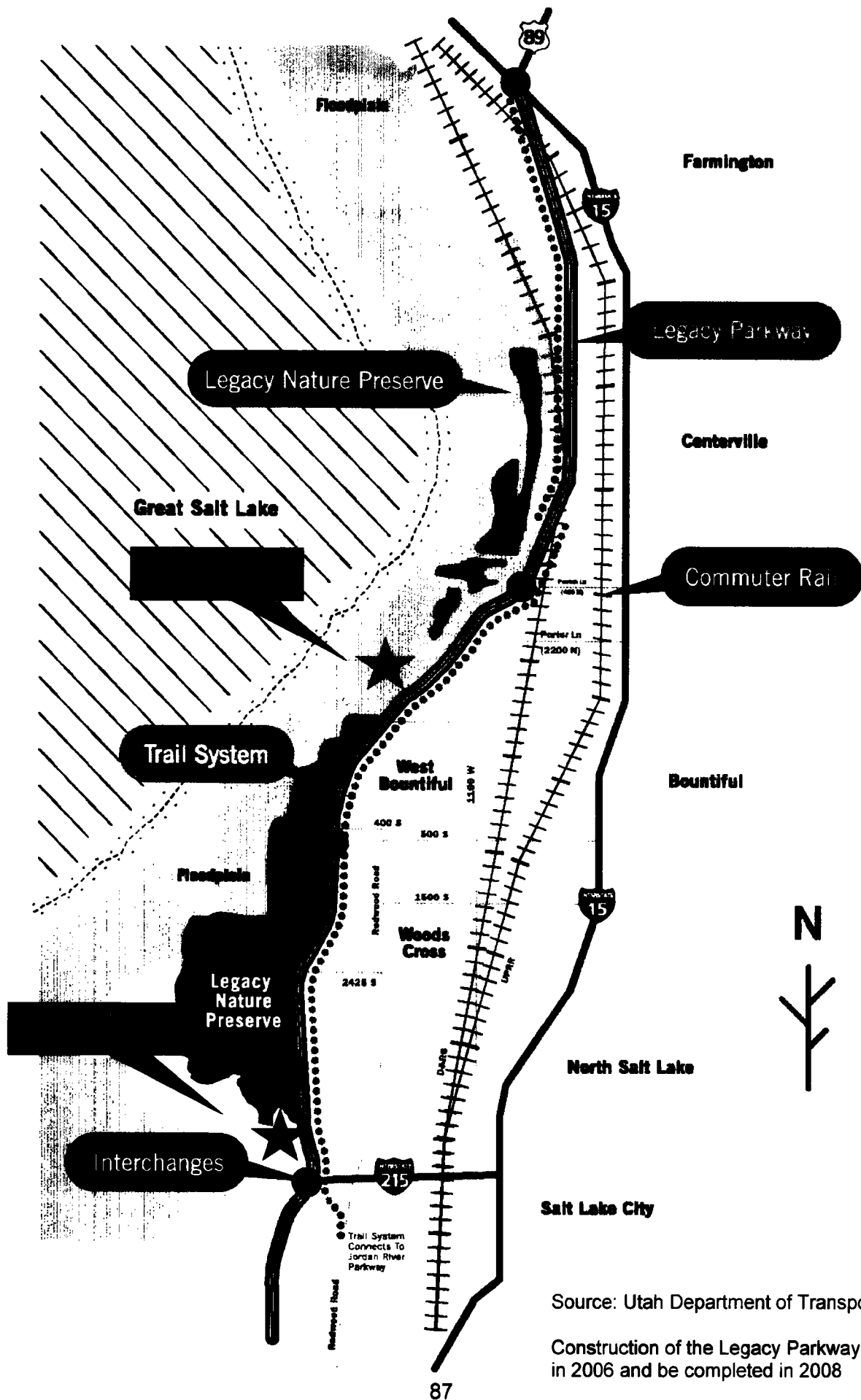
Source: Utah State Treasurer's Office

Permit-Authorized Construction in Utah
Last Ten Fiscal Years
(values in thousands)

Year	Number of New Dwelling Units	Residential Construction Value	Nonresidential Construction Value	Value of Additions, Alterations and Repairs		Total Construction Value
				Residential	Nonresidential	
1997	20,687	1,943,512	1,370,958	124,800	282,347	3,721,619
1998	21,743	2,188,670	1,148,406	128,357	332,969	3,798,403
1999	20,350	2,238,116	1,195,373	123,663	413,721	3,970,872
2000	18,154	2,139,556	1,213,040	124,494	458,831	3,935,921
2001	19,675	2,352,727	969,829	193,276	369,561	3,885,393
2002	19,541	2,491,879	897,052	157,572	235,415	3,781,918
2003	22,836	3,046,386	1,017,472	142,738	354,255	4,560,853
2004	24,293	3,553,121	1,089,900	156,147	319,932	5,119,101
2005	28,285	4,662,641	1,217,818	184,510	523,088	6,588,059
2006	26,322	4,955,519	1,588,408	235,894	629,357	7,409,178
10-year Avg.	22,189	2,957,213	1,170,826	157,145	391,948	4,677,132

Source: Bureau of Economic and Business Research, Construction Report, University of Utah.

Legacy Parkway Site Plan



SOUTH DAVIS SEWER DISTRICT

Employees by Department Last Ten Fiscal Years

Fiscal Year	Treatment Plants	Collection System	Maintenance	Engineering/ Admin.	Industrial Pretreatment	Total
1997	7	3	2	6	1	19
1998	7	3	2	7	1	20
1999	7	3	3	7	1	21
2000	6	3	4	7	1	21
2001	7	4	4	6	1	22
2002	7	4	4	6	1	22
2003	6	6	4	6	1	23
2004	6	6	3	7	1	23
2005	6	5	2	7	1	21
2006	6	6	2	5	1	20
Average	5.9	3.7	2.8	5.9	0.9	21.2

Source: District employment records

Notes: Full time employees are scheduled to work 2,080 hours per year (including vacation, and sick leave).

The Bountiful City sewer system was transferred to the District on 1/1/04. This transfer brought an additional 9000 customer's to be serviced and maintained.

SOUTH DAVIS SEWER DISTRICT
Operator Certification Program
For The Year Ending December 31, 2006

Employee	Collection Operator Certification Level	Treatment Operator Certification Level
Mike C. Bradshaw	Grade IV	Grade I
John K. Davies	Grade IV	
Jason D. Dlugas		
Shane E. Fleming	Grade II	
Corry J. King		Grade IV
Eddie D. Marsing	Grade IV	Grade IV
Marty G. Marsing	Grade IV	
Brent M. Maxwell	Grade IV	Grade IV
Timothy E. Munden		Grade IV
Eric S. Nemcek		Grade IV
Brandon S. Rice	Grade IV	
Stephen J. Rix	Grade IV	
Earl W. Seely	Grade IV	
Carl E. Trimming	Grade II	
Dal D. Wayment	Grade IV	Grade IV
Zane R. Young		Grade IV

Source: District employment records and State of Utah, Division of Water Quality records.

In accordance with Section 19-5-104 of the Utah Code, wastewater operators, both in collection and treatment systems, are to be certified. This certification is regulated by the Division of Water Quality, State of Utah.

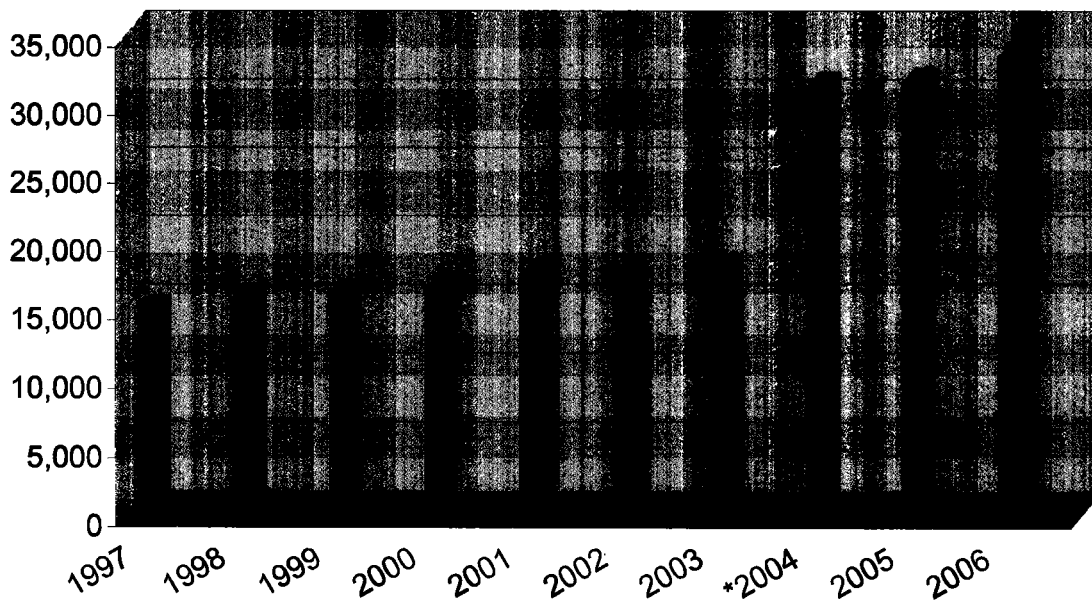
SOUTH DAVIS SEWER DISTRICT

Equivalent Dwelling Units - (EDU'S)

Last Ten Fiscal Years

<u>YEAR</u>	<u>EDU'S</u>
1997	14,930
1998	15,648
1999	16,098
2000	16,442
2001	17,064
2002	17,429
2003	18,023
* 2004	31,285
2005	31,613
2006	33,357

Equivalent Dwelling Units EDU'S



Source: District Accounting and Engineering Records

1 EDU (equivalent dwelling unit) = 200,000 gallons of water use annually

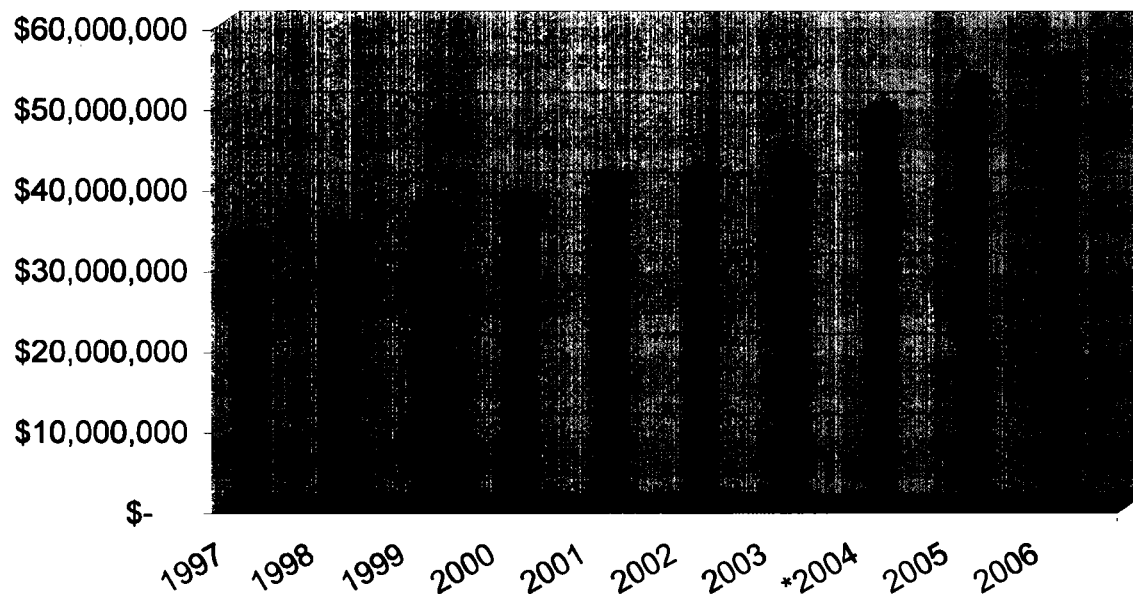
* Bountiful City Sewer System was transferred to the District in 2004

SOUTH DAVIS SEWER DISTRICT

Capital Asset Balances

Last Ten Fiscal Years

Year	Collection System	Treatment Plants	Land	Total
1997	\$ 10,575,828	\$ 22,559,508	\$ 73,694	\$ 33,209,030
1998	\$ 11,941,474	\$ 22,798,744	\$ 73,694	\$ 34,813,912
1999	\$ 13,039,320	\$ 23,725,582	\$ 73,694	\$ 36,838,596
2000	\$ 13,992,870	\$ 24,177,265	\$ 73,694	\$ 38,243,829
2001	\$ 15,886,017	\$ 24,743,712	\$ 73,694	\$ 40,703,423
2002	\$ 16,741,977	\$ 24,756,994	\$ 73,694	\$ 41,572,665
2003	\$ 17,526,072	\$ 25,690,819	\$ 73,694	\$ 43,290,585
*2004	\$ 22,266,526	\$ 27,068,531	\$ 73,694	\$ 49,408,751
2005	\$ 25,466,865	\$ 27,286,281	\$ 73,694	\$ 52,826,840
2006	\$ 27,993,485	\$ 27,338,789	\$ 73,694	\$ 55,405,968



Source: District Capital Asset Records

Bountiful City Sewer System was transferred to the District in 2004

For the Year Ended December 31, 2006

[illegible]

Source: District capital asset records

SOUTH DAVIS SEWER DISTRICT
Capital Asset Additions
For The Year Ended December 31, 2006

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
BURNHAM LIFT STATION	1 1927	4,606.69	-0-			4,606.69
S/P SANDFILTER ACCESS ROAD	2 1673		8,550.00		-0-	8,550.00
S/P TOWER PUMP STATION	2 1678		5,545.26			5,545.26
SUBTOTAL		4,606.69	14,095.26	-0-	-0-	18,701.95
CONSTRUCTION WORK IN PROGRESS (188000)						
2600 S LIFT STATION 14" LINE	6 6063	-0-	-0-		146,058.02	146,058.02
2600 S LIFT STATION	7 1930	-0-			10,549.54	10,549.54
EVERGREEN BUS PARK LIFT STATION	7 1932				3,046.25	3,046.25
SUBTOTAL		-0-	-0-	-0-	159,653.81	159,653.81
OUTFALL/SEWER LINES (189000)						
CONTRIBUTED "DEEDED" LINES	11 5176	2,054,239.48	-0-			2,054,239.48
LEGACY 1200 N	11 6035	227,028.23				227,028.23
SUBTOTAL		2,281,267.71	-0-	-0-	-0-	2,281,267.71
OPERATION & SUPPORT EQUIPMENT (189200)						
PERMA-LINER AIR INVERSION UNIT	8 2290	28,765.78		-0-		28,765.78
DIGITAL LATERAL CAMERA	8 2291	13,690.70				13,690.70
TV CAMERA VIDEO CABLE	8 2292	4,077.36	-0-	-0-		4,077.36
TRENCH BOX	8 2295	7,735.97				7,735.97
FUEL MGT SYSTEM	1 726		3,633.40			3,633.40
MILLING LATHE	1 727		18,287.50			18,287.50
HORIZONTAL BAND SAW	1 731		5,500.00			5,500.00
S/P SANDFILTER HEADGATES (7)	2 1316		16,523.01			16,523.01
S/P TOWER PUMP STATIONS PUMPS	2 1674		7,517.00			7,517.00
S/P TOWER PUMP STATIONS PUMPS	2 1675		7,517.00			7,517.00
S/P TOWER PUMP STATIONS IMPROVEMENTS	2 1678		9,927.79			9,927.79
S/P TOWER PUMP STATION 25HP VFD	2 1680		2,646.00			2,646.00
SUBTOTAL		54,269.81	71,551.70	-0-	-0-	125,821.51
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
MINI EXCAVATOR	9 3464	20,000.00			-0-	20,000.00
LAWN TRACTOR	4 3099		3,823.26			3,823.26
2001 GOLF CART	4 3094		3,031.99			3,031.99
2001 GOLF CART	4 3095		3,031.99			3,031.99
2001 GOLF CART	4 3096		3,031.99			3,031.99
2001 GOLF CART	4 3097		3,031.99			3,031.99
2001 GOLF CART	4 3098		3,031.99			3,031.99
SUBTOTAL		20,000.00	18,983.21	-0-	-0-	38,983.21
OFFICE FURNITURE & EQUIPMENT (189500)						
CAPITAL ASSET COMPUTER MODULE	16 4627	1,427.00	1,427.00		-0-	2,854.00
GIS DATABASE INTEGRATION	8 2293	33,907.50	-0-		-0-	33,907.50
SUBTOTAL		35,334.50	1,427.00	-0-	-0-	36,761.50
GRAND TOTAL		2,499,478.77	10,005.17	-0-	159,653.81	2,669,137.75

7-1, %

SOUTH DAVIS SEWER DISTRICT

Expenditures by Function
Last Ten Fiscal Years

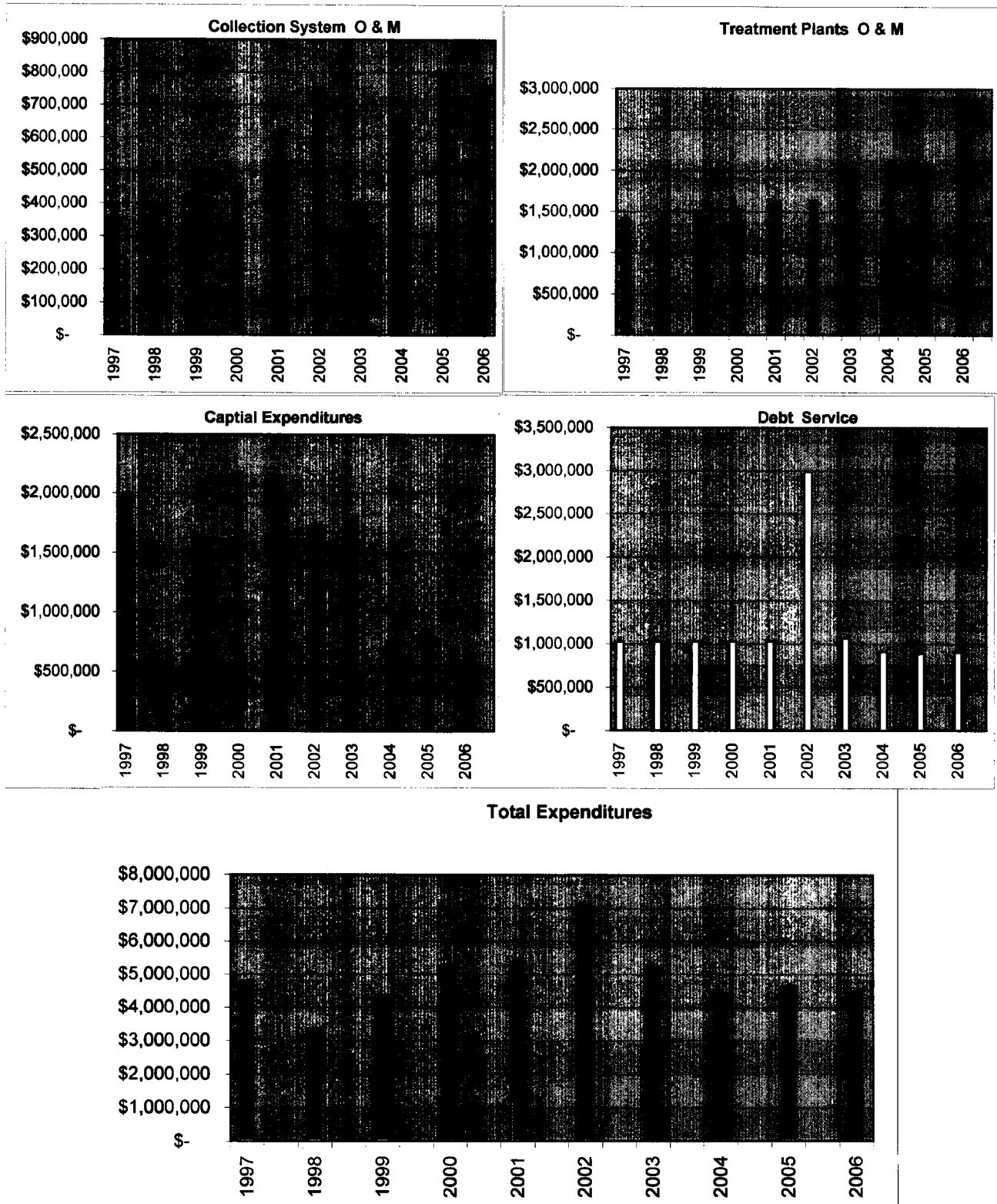
Year	Collection System O & M		Treatment Plants O & M		Capital Expenditures		Debt Service		Total Expenditures	
1997	\$	362,541	\$	1,415,521	\$	1,982,264	\$	1,025,227	\$	4,785,553
1998	\$	384,087	\$	1,436,387	\$	480,796	\$	1,025,250	\$	3,326,520
1999	\$	437,135	\$	1,513,303	\$	1,352,630	\$	1,024,930	\$	4,327,998
2000	\$	450,556	\$	1,537,168	\$	2,180,239	\$	1,025,010	\$	5,192,973
2001	\$	618,287	\$	1,606,737	\$	2,120,873	\$	1,027,000	\$	5,372,897
2002	\$	748,953	\$	1,639,022	\$	1,732,707	\$	2,991,100	\$	7,111,782
2003	\$	404,428	\$	1,961,707	\$	1,773,292	\$	1,064,280	\$	5,203,707
2004	\$	649,461	\$	2,107,083	\$	740,493	\$	908,747	\$	4,405,784
2005	\$	798,533	\$	2,071,101	\$	852,282	\$	899,800	\$	4,621,716
2006	\$	761,449	\$	2,396,746	\$	384,323	\$	904,175	\$	4,446,693

Source: District accounting records

SOUTH DAVIS SEWER DISTRICT

Expenditure by Function

Last Ten Fiscal Years



Source: District accounting records

Revenue bonds were refunded in 2003 for a lower interest rate and shorter maturity.

GASB statement 34 was implemented in 2004 under the modified approach.

SOUTH DAVIS SEWER DISTRICT
Collection System
For The Year Ending December 31, 2006

Statistics

34.38 Square Miles
7,810 Manholes
7,810 Sections of Line
1,705,585 Feet of Line (323 Miles)
10,000,000 Gallons of Wastewater Treated Daily

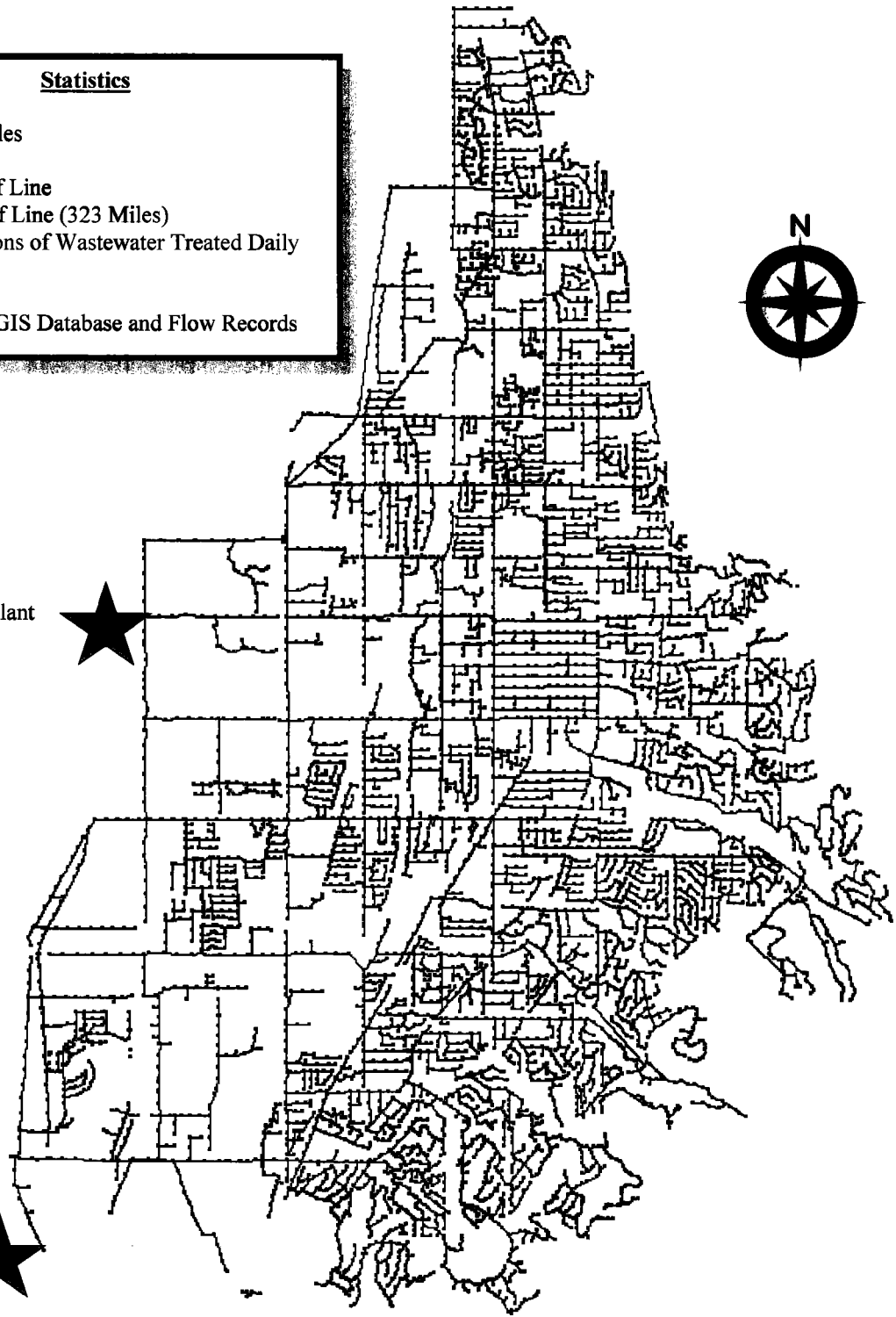
Source: District GIS Database and Flow Records



North Treatment Plant



South Treatment Plant

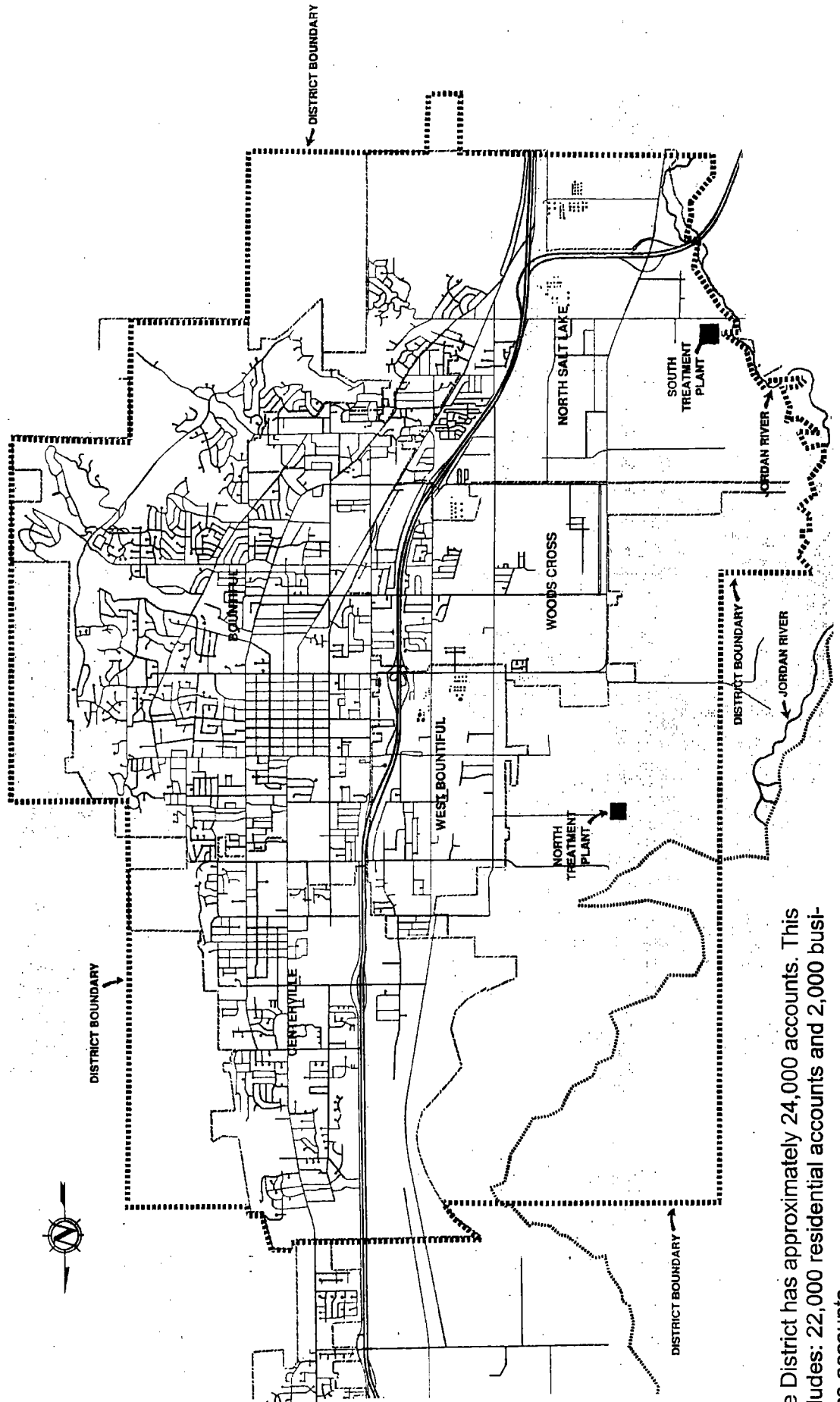


SOUTH DAVIS SEWER DISTRICT

Service Area

For The Year Ending December 31, 2006

The South Davis Sewer District serves the southern portion of Davis County. This includes Centerville, West Bountiful, Bountiful, Woods Cross, North Salt Lake, and unincorporated areas of Davis County.



The District has approximately 24,000 accounts. This includes: 22,000 residential accounts and 2,000 business accounts.

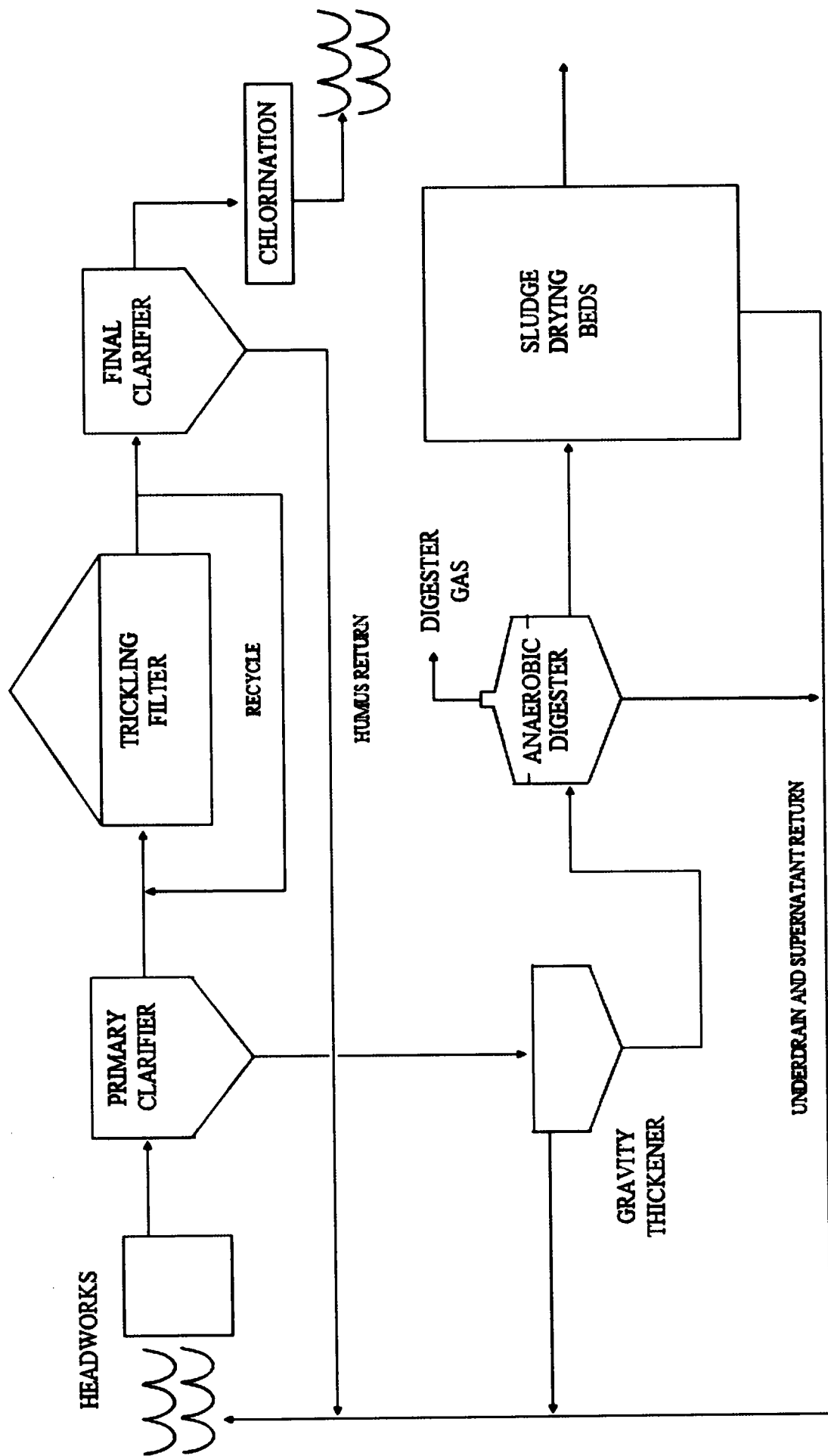
SOUTH DAVIS SEWER DISTRICT
Summary of Insurance Coverage
For The Year Ended December 31, 2006

<u>Carrier</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Policy Period</u>
Utah Local Governments Trust	13800-GL2005	General Liability (\$5,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/05 to 1/1/06
Utah Local Governments Trust	PX809764	Property (\$27,988,456)	7/1/05 to 7/1/06
Utah Local Governments Trust	PX809764	Property (\$27,988,456)	7/1/06 to 7/1/07
ATP Insurance/Agency CNA Surety	0601 69389583	*Fidelity Bond (\$216,540) Treasurer	12/31/04 to 12/31/05
ATP Insurance/Agency CNA Surety	0601 68748093	Public Employee Dishonest Bond Employees (\$25,000) Check Signers (\$125,000)	12/31/04 to 12/31/05
Utah Local Governments Trust	SI-903 13800	Workers Compensation	1/1/05 to 1/1/06
ATP Insurance/Agency CNA Surety	0601 53733328N 602 53733328N01	Notary Bond (\$5,000) Notary Bond (\$10,000)	3/12/06 to 3/12/10 3/12/06 to 3/12/11

Source: Utah Local Government and District accounting records.

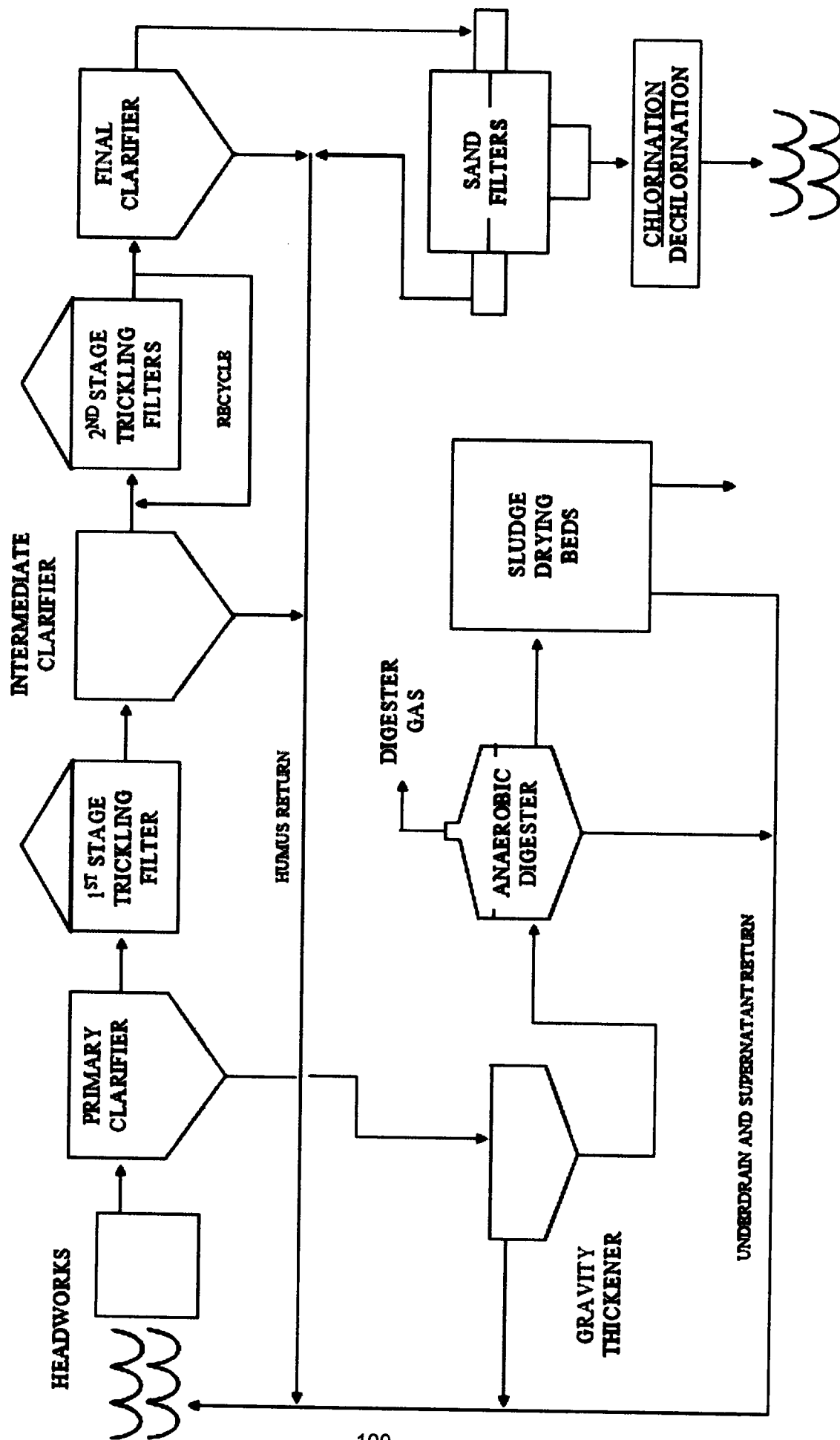
In accordance with Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council, the insurance bonds are calculated on the previous years budget (i.e. 2005 Amended)

SOUTH DAVIS SEWER DISTRICT **North Plant Process Flowchart**



SOUTH DAVIS SEWER DISTRICT

South Plant Process Flowchart



Benchmarking

The National Association of Clean Water Agencies (NACWA) has conducted an extensive survey of hundreds of wastewater treatment plants and collection systems operated by public agencies. A number of key statistics are presented in the graphs shown in the Statistical Section. The District's results are highlighted on these graphs.

Per Capita Expenditure /year	2004	2001	1998	1995
- Agencies Responding	129	117	93	102
- Maximum	\$559.41	\$792.36	\$401.42	\$1,128.97
- Average	\$171.11	\$154.87	\$132.60	\$143.70
- Median	\$146.80	\$125.62	\$121.20	\$109.55
- Minimum	\$18.20	\$15.74	\$1.94	\$33.42

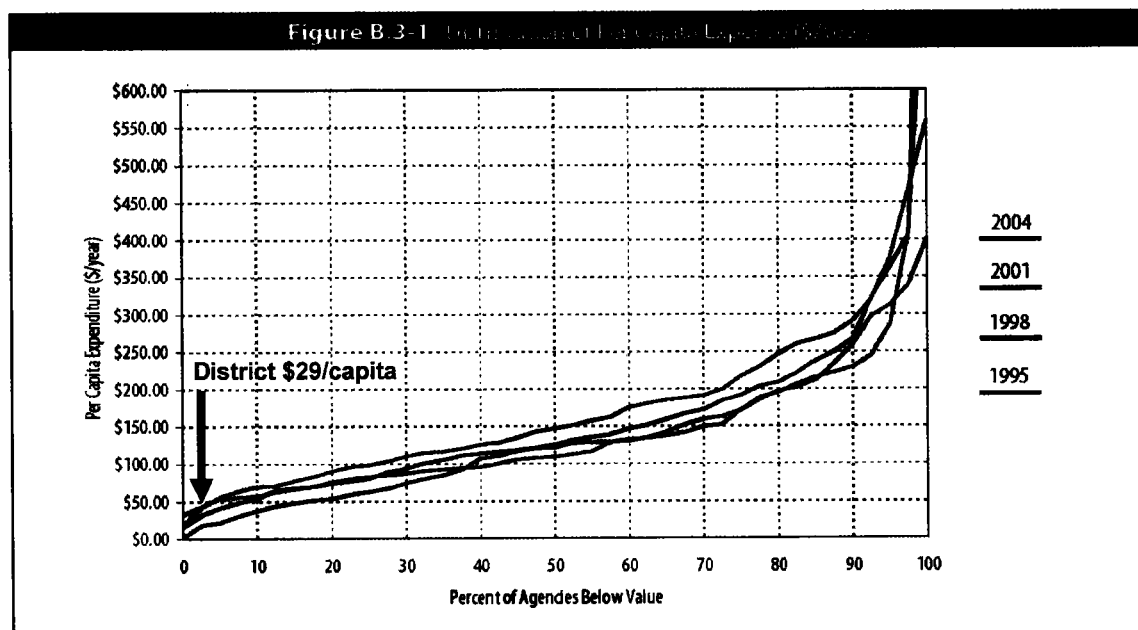
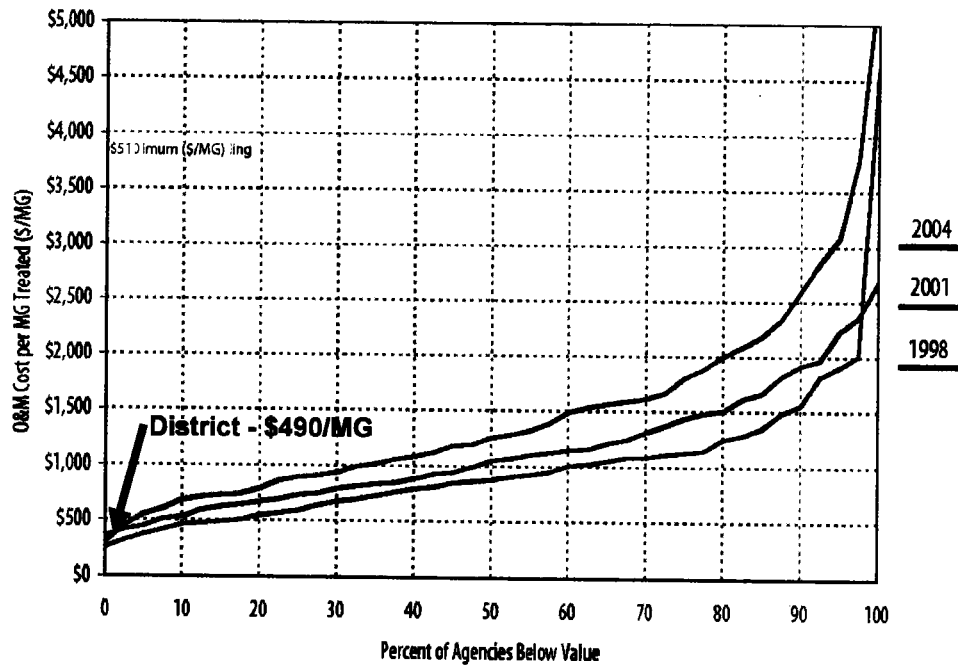
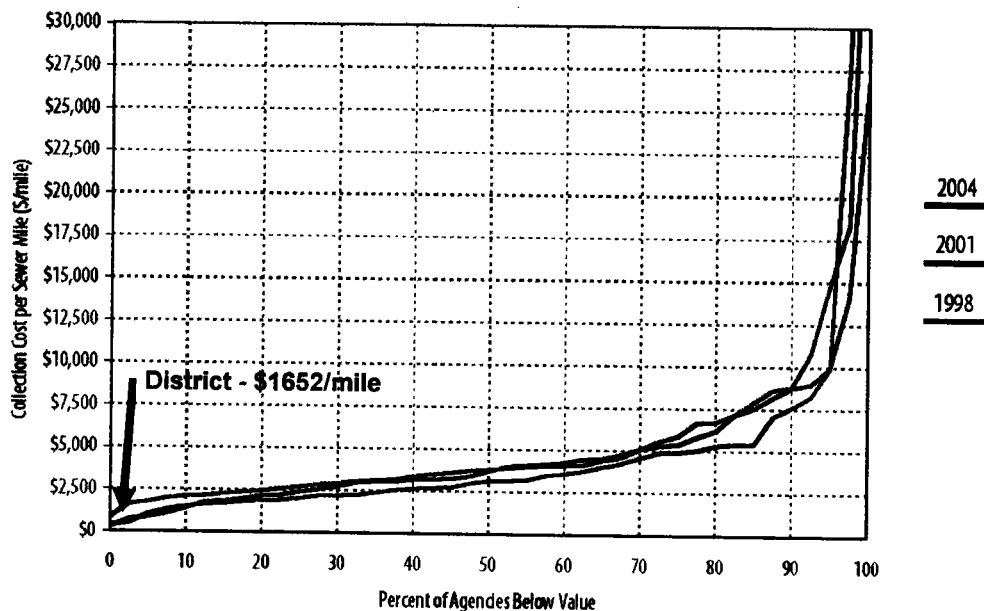


Figure B.5-5 Wastewater O&M Costs per Million Gallons Treated (1998 to 2004 All Respondents)



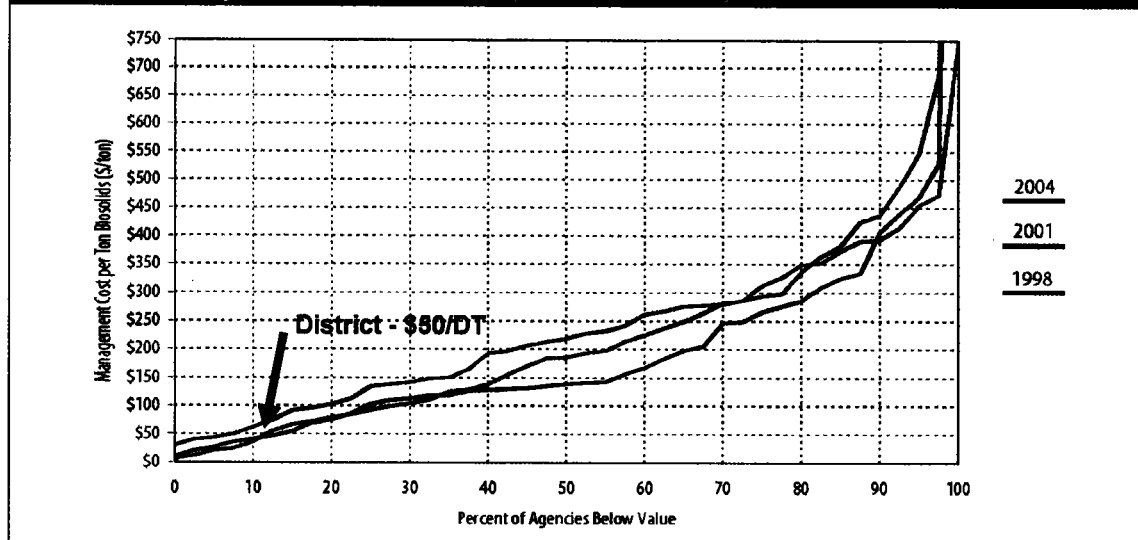
National Average - \$1,484/MG National Median - \$1,252/MG

Figure B.5-6 Collection System Cost Per Sewer Line (1998 to 2004) Sewer Line/Collection Service



National Average - \$5,891/mile National Median - \$3,954/mile

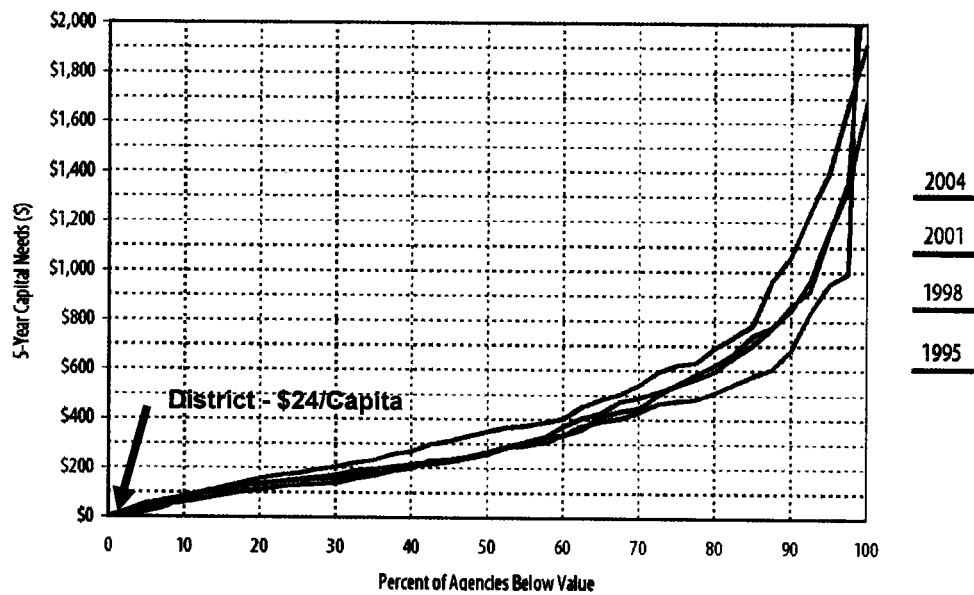
Figure B.5-8 Biosolids Management Costs Per Dry Ton: All Respondents



National Average - \$250/DT National Median - \$186/DT

Note: The District's costs for biosolids are so low that we have not tracked them separately. The \$50/DT is an estimate.

Figure B.6-4 Distribution of Five-Year Capital Needs (FY 2000-2004) by Agency Respondent



National Average - \$471/Capita

National Median - \$349/Capita

Figure C.2-1 Number of Years Current Rates Have Been in Effect

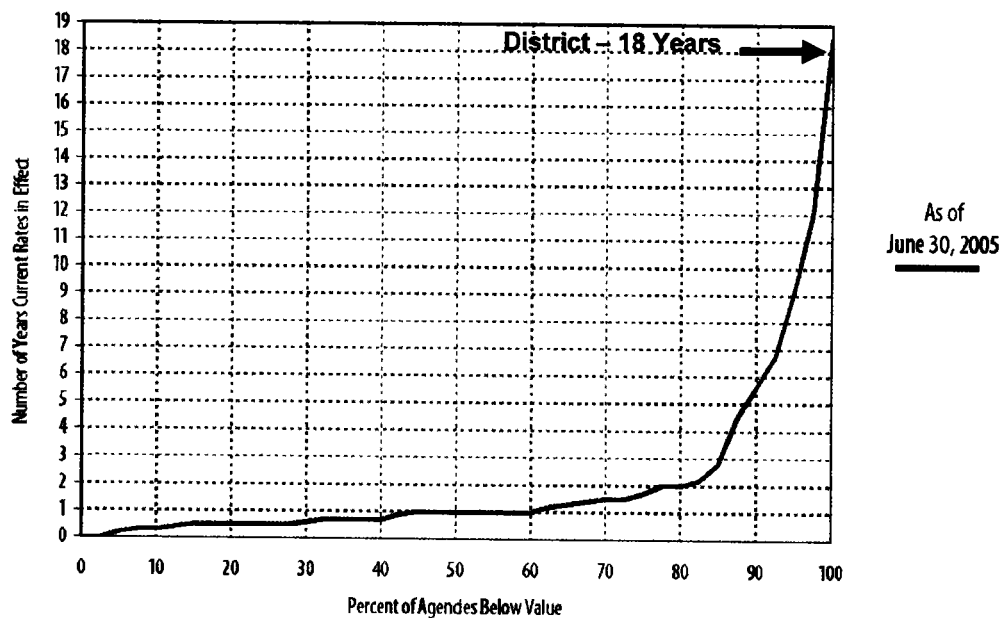
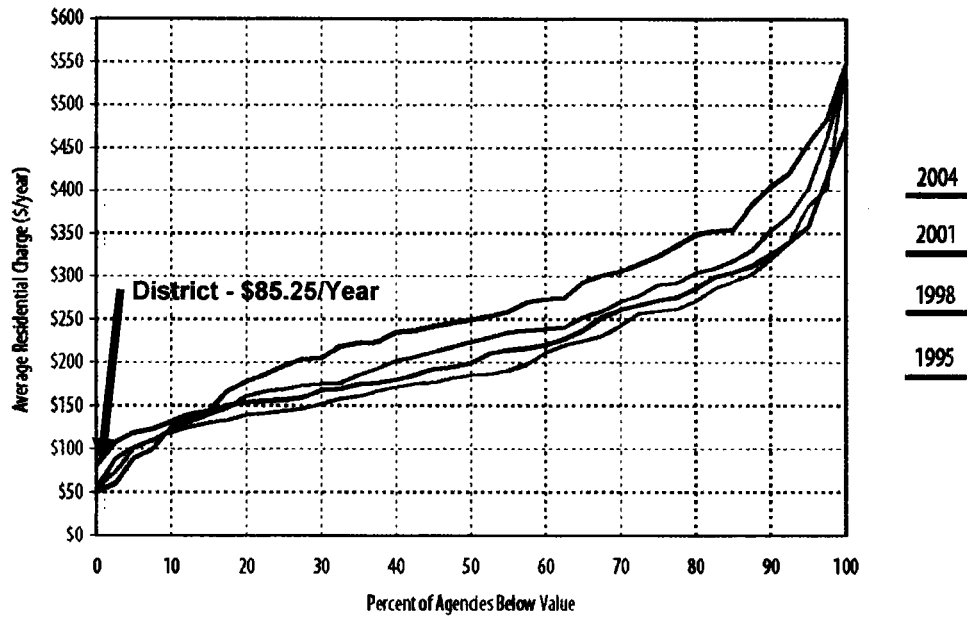


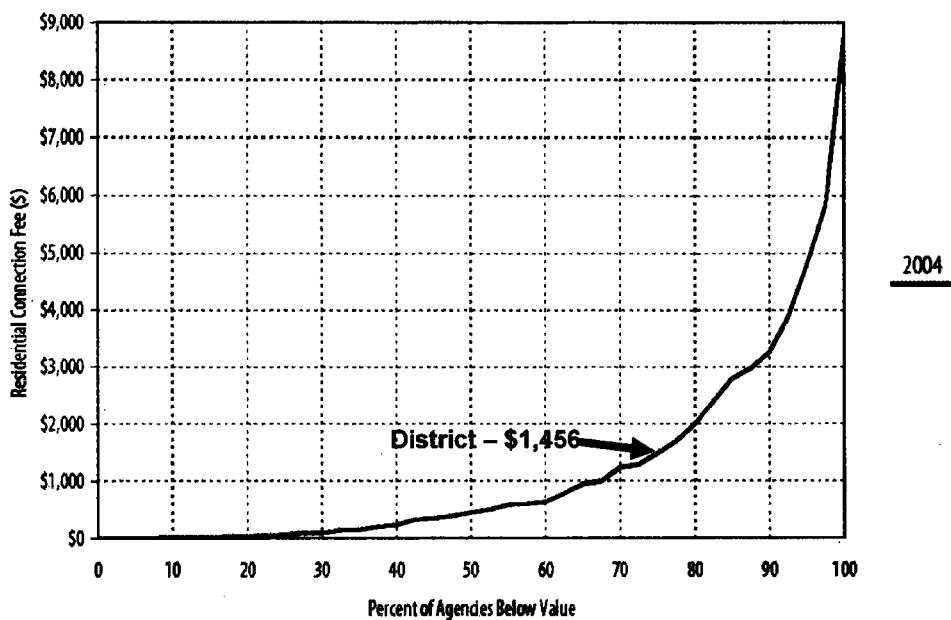
Figure C.9-2 Average Residential Water Charge Distribution - All Residential



National Average - \$263/Year

National Median - \$250/Year

Figure C.10-1 Residential Connection Fee (All Residential)



Wage Rate Comparison – 2004

Using District information for 2007

Position	Agency Responses	Average (\$/year)	Median (\$/year)	District (\$/year)
Civil Engineer – Entry Level	109	\$52,302	\$50,000	\$40,938
Civil Engineer – Senior Level	114	\$78,034	\$74,702	\$58,802
Accountant / Bookkeeper	71	\$56,845	\$52,897	\$41,620
Operator (Non-Superintendent) – Entry	127	\$35,544	\$32,646	\$28,142
Operator (Non-Superintendent) - Senior	127	\$50,368	\$48,817	\$56,503
Plant Superintendent – Senior Level	121	\$83,255	\$80,808	\$74,912
Biologist/Chemist/Lab Tech	122	\$55,587	\$53,590	N/A
Industrial Waste Inspector	65	\$41,136	\$39,936	\$48,477
General Laborer – Entry Level	108	\$30,284	\$28,558	\$21,840
Field Crew – Collections	105	\$42,930	\$41,500	\$33,032

COMPLIANCE SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Ray H. Allen, CPA
Rebecca M. Allred
Robert L. Archuleta, CPA
Stephen R. Capson, CPA
Terry L. Green, CPA
Scott J. Hanni, CPA
Danny L. Hendrix, CPA
B. Joe Merkley, CPA
Tim C. Rees, CPA
Jeffrey N. Ririe, CPA
G. John Runia, CPA
R. Ted Stagg, CPA

Duane C. Karren, Ret.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

We have audited the basic financial statements of the South Davis Sewer District (the "District") as of and for the year ended December 31, 2006, and have issued our report thereon dated March 28, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We identified one control deficiency to be a significant deficiency and communicated it in writing to management and those charged with governance on April 11, 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. We identified one significant deficiency to also be a material weakness, and communicated it in writing to management and those charged with governance on April 11, 2007.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *General Auditing Standards*.

This report is intended for the information and use of management, the audit committee, the Board of Trustees, and the Utah State Auditor, is not intended to be, and should not be used by anyone other than these specified parties.

Karren, Hendrix, Stagg, Allen, & Company
Karren, Hendrix, Stagg, Allen & Company
March 28, 2007



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Ray H. Allen, CPA
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R. Ted Stagg, CPA

Duane C. Karren, Ret.

AUDITORS' OPINION ON STATE LEGAL COMPLIANCE

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

We have audited the accompanying financial statements of South Davis Sewer District (the "District") for the year ended December 31, 2006, and have issued our report thereon dated March 28, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

Truth in Taxation and Property Tax Limitations
Special Districts
Other General Compliance
Impact Fees and Other Development Fees

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Karren Hendrix Stagg, Allen & Company
Karren, Hendrix, Stagg, Allen & Company
March 28, 2007



South Davis Sewer District

Mailing Address:

PO Box 4000 • West Bountiful, Utah 84087-4000

Office Location:

1800 West 1200 North • West Bountiful, Utah 84087-2501

Phone (801) 295-3469 • Fax (801) 295-3486

April 12, 2007

Karren, Hendrix, Stagg, Allen & Company
111 East Broadway, Suite 250
Salt Lake City, UT 84111

RE: 2006 Audit Findings, Recommendations, and Response.

To Whom It May Concern:

The results of your audit procedures disclosed the following internal control deficiencies.

Finding 06-1

There is a lack of segregation of duties over check disbursements and bank wire transfers.

Your Recommendation

We recommend management segregate the critical duties related to check disbursements, and have management modify their wire transfer agreement with their bank to not allow the same person to initiate and approve wire transfers.

Response

The District has separated the duties of check disbursements, custody of checks, and authorization for signature of checks. A new wire transfer agreement has been implemented with the bank requiring two authorized District personnel to initiate and approve bank wire transfers.

Cordially,

South Davis Sewer District

Mark R. Katter,
Accounting Manager

MANAGEMENT LETTER

South Davis Sewer District
For the Year Ended December 31, 2006



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Duane C. Karren, CPA

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Ray H. Allen, CPA

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Robert L. Archuleta, CPA

Tim C. Rees, CPA

MANAGEMENT LETTER

April 11, 2007

Audit Committee, Board of Trustees & Management
South Davis Sewer District
West Bountiful, Utah

In planning and performing our audit, we of the financial statements of South Davis Sewer District (the "District") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be significant deficiency and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- Lack of segregation of duties over check disbursements and wire transfers (Finding No. 06-1)

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. We believe that the significant deficiency noted above constitutes a material weakness.

See the attached Schedule of Findings for additional detail on the significant deficiency and/or material weakness noted above.

This communication is intended solely for the information and use of management, the District's Audit Committee, the Board of Trustees, and the Utah State Auditor and is not intended and should not be used by anyone other than these parties.

Karren Hendrix Stagg Allen & Company

CERTIFIED PUBLIC ACCOUNTANTS

SOUTH DAVIS SEWER DISTRICT

Schedule of Findings

For the Year Ended December 31, 2006

FINDING NO. 06-1

Criteria: Internal control is meant to separate sensitive accounting functions and procedures.

Condition: The District lacks a sufficient segregation of duties over check disbursements and wire transfers.

Cause: Check Disbursements - The District implemented new accounting software that prints an image of authorized signature (signs checks) when disbursement checks are prepared. Prior to this, the District used a check signing machine that required two keys to operate; which provided adequate segregation of duties over signing checks.

Wire Transfers - The District signed a wire transfer agreement with a bank authorizing an individual to both initiate and approve wire transfers.

Effect: All phases of these transactions can be controlled by one person.

Auditor's Recommendation: We recommend that management segregate critical duties related to check disbursements and that management modify their wire transfer agreement with their bank to not allow the same person to initiate and approve wire transfers.